

From: [ICTD Submission](#)
To: lbch@lbcexpressholdings.com
Subject: Re: LBC EXPRESS HOLDINGS, INC._SEC Form 17-Q (3Q)_19 November 2021
Date: Friday, 19 November 2021 6:11:05 pm

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.
(Subject to Verification and Review of the Quality of the Attached Document)
Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

MC28_S2020@sec.gov.ph

For your information and guidance.

Thank you and keep safe.

COVER SHEET

SEC Registration Number

	A	S	9	3	0	0	5	2	7	7
--	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

L	B	C		E	X	P	R	E	S	S		H	O	L	D	I	N	G	S	,		I	N	C	.				
(F	o	r	m	e	r	l	y		F	E	D	E	R	A	L		R	E	S	O	U	R	C	E	S			
I	N	V	E	S	T	M	E	N	T		G	R	O	U	P		I	N	C	.)								

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

L	B	C		H	A	N	G	A	R	,		G	E	N	E	R	A	L		A	V	I	A	T	I	O	N		
C	E	N	T	R	E	,		D	O	M	E	S	T	I	C		A	I	R	P	O	R	T						
R	O	A	D	,		P	A	S	A	Y		C	I	T	Y	,		M	E	T	R	O		M	A	N	I	L	A

Form Type

1	7	-	Q
---	---	---	---

Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

+632 8856-8510

Mobile Number

N/A

No. of Stockholders

487

Annual Meeting (Month / Day)

2nd Monday of June

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Enrique V. Rey, Jr.

Email Address

evrey@lbcexpress.com

Telephone Number/s

+632 8856-8510

Mobile Number

--

CONTACT PERSON'S ADDRESS

LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended: **September 30, 2021**
2. SEC Identification Number: **AS93-005277**
3. BIR Taxpayer Identification Number: **002-648-099-000**
4. Exact name of issuer as specified in its charter: **LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)**
5. Province, country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code: _____(SEC Use Only)
7. Address of issuer's principal office: **LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila 1300**
8. Issuer's telephone number, including area code: **(632) 8856 8510**
9. Former name, former address and former fiscal year, if changed since last report: **n/a**
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

As of September 30, 2021:

<u>Title of each class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Shares	1,425,865,471 ¹
Bond payable	1,640,533,811 ²
Derivative Liability	2,302,679,805 ²

¹ Inclusive of 1,384,966,471 common shares which are exempt from registration.

² Related to convertible instrument at an aggregate principal amount of \$50 million.

11. Are any or all of the securities listed on a Stock Exchange?
Yes [**X**] No []

Name of Stock Exchange: **Philippine Stock Exchange**

Class of securities listed: **Common shares**³

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No []

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No []

³ As of September 30, 2021, 40,899,000 common shares have been listed with Philippine Stock Exchange. The remaining 1,384,966,471 are subject to listing applications filed with the Philippine Stock Exchange.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Financial Statements of the Company as of and for the period ended September 30, 2021 and Notes to Financial Statements are hereto attached as Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020

Service Revenue

The Company's service revenue increased by 28% to ₱12,317.24 million for the nine months ended September 30, 2021 from ₱9,631.16 million for the nine months ended September 30, 2020. Improvement of revenue is mainly from logistics segment with overall growth of 29%.

The increase in logistics revenue, both in domestic and overseas market, is driven by the improvement in sales performance of existing branches after the worldwide quarantine last year. There are also 75 new Philippine retail branches that contributed additional volume.

Cost of Services

Cost of services increased by 28% to ₱9,426.90 million for the nine months ended September 30, 2021 from ₱7,383.92 million for the nine months ended September 30, 2020.

Cost of delivery and remittance is higher relative to increase in volume. This also resulted to increase in materials and supplies which is presented under 'utilities and supplies'.

In relation to the implemented processes to ensure safety, security measures and social distancing, the Company added domestic warehouses in mid-2020 which contributed to increase in manpower cost, utilities and office supplies, and depreciation and amortization for fixed and right-of-use assets.

Gross Profit

Gross profit increased by 29% to ₱2,890.34 million for the nine months ended September 30, 2021 from ₱2,247.24 million for the nine months ended September 30, 2020 primarily attributable to increase in volume.

Operating Expenses

Operating expenses increased by 2% to ₱2,079.24 million for the nine months ended September 30, 2021 from ₱2,040.71 million for the nine months ended September 30, 2020 primarily caused by the following:

- Increase in utilities and supplies which accounts for medical and sanitation supplies and test kits for the period.
- Commission expenses increased by 45% which is greatly affected by the volume of sales from overseas.
- Increase in software maintenance cost and subscription expenses related to renewal of annual software maintenance agreement.

- Higher transportation expenses driven by the shuttle rental costs for employees working onsite during the community quarantine.

The mentioned increases were offset by:

- Lower advertising and promotion due to decrease in production, television, radio, and digital advertisements.
- Face mask donated in 2020 that resulted to decline in donation account.
- Lower provisions for expected credit losses for the period.

Operating Income

The Group earned income from operations amounting to ₱811.10 million for the nine months period ended September 30, 2021 from ₱206.53 million for the nine months period ended September 30, 2020 attributable to increase in gross profit by 29% offset by higher operating expenses by 2%.

Other Expenses, Net

Other expenses, net increased to ₱441.20 million for the nine months ended September 30, 2021 from ₱261.13 million for the nine months ended September 30, 2020 mainly driven by the 'loss on derivatives' incurred during the period which is higher at ₱202.89 million in 2021 compared to ₱4.97 million in 2020.

Interest expense is also higher by ₱16.38 million related to notes payable, bond payable and lease liabilities.

Net Income (Loss) after tax

The Group's net income after tax is at ₱256.96 million for the nine months ended September 30, 2021 as compared to net loss of ₱56.77 for the nine months ended September 30, 2020. This is mainly driven by higher volume for this period.

Quarter ended September 30, 2021 compared to the quarter ended September 30, 2020

Service Revenue

The Company's service revenue decreased by 2% to ₱3,903.36 million for the three months ended September 30, 2021 from ₱3,987.97 million for the three months ended September 30, 2020. The decrease is mainly from logistic segment due to a stricter community quarantine implemented in August that affected domestic operations.

Cost of Services

Cost of services is higher by 20% to ₱3,131.33 million for the three months ended September 30, 2021 from ₱2,601.02 million for the three months ended September 30, 2020.

Cost of delivery and remittance is higher primarily due to increase in domestic air freight costs as more volume were shipped via air as there are more flights available compared to the same quarter last year.

Domestic warehouses added in mid-2020 contributed to additional manpower cost, utilities and depreciation and amortization for fixed and right-of-use assets.

Gross Profit

Gross profit decreased to ₱772.04 million for the three months ended September 30, 2021, from ₱1,386.95 million for the three months ended September 30, 2020 which are attributable to increase in cost of services as mentioned above.

Operating Expenses

Operating expenses increased by 12% to ₱755.67 million for the three months ended September 30, 2021 from ₱677.21 million for the three months ended September 30, 2020 mainly from the following:

- Commission is higher by 31% mainly due to increase in overseas revenue for the quarter.
- There are vaccine allocations under donation for the period.
- Higher expenses for salaries and benefits, taxes and licenses and advertising expenses were also contributory to the increase in operating expenses.

Operating Income

The Group earned income from operations amounting to ₱16.36 million for the three months period ended September 30, 2021, compared to ₱709.74 million for the three months period ended September 30, 2020 attributable to increase in cost of services and operating expenses.

Other Expenses, Net

Other expenses, net increased to ₱109.46 million for the three months ended September 30, 2021 from ₱99.38 million for the three months ended September 30, 2020 mainly driven by the 'loss on derivatives' incurred during the period amounting to ₱40.89 million compared to gain on derivatives amounting to ₱2.62 million incurred in 2020.

Net foreign exchange gain also increased by ₱22.43 million due to higher exchange rates of US dollars to Philippine peso for the last two months of 2021.

Net Income (Loss) after tax

The Group's net loss after tax is at ₱61.21 million for the three months ended September 30, 2021 as compared to net income of ₱442.38 for the three months ended September 30, 2020. This is mainly driven by higher cost of sales, interest expense and loss on derivatives for 2021.

FINANCIAL CONDITION

As of September 30, 2021 compared to as of December 31, 2020

Assets

Current Asset:

Cash and cash equivalents increased by 2% to ₱5,341.32 million as of September 30, 2021 from ₱5,246.05 million as of December 31, 2020. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivable, net decreased to ₱1,976.00 million as of September 30, 2021 from ₱1,983.37 million as of December 31, 2020 mainly driven by the collection of receivable from outside parties.

Due from related parties increased by 1% to ₱1,137.94 million as of September 30, 2021 from ₱1,115.17 million as of September 30, 2020 mostly attributable to the dividend receivable from OFII.

Prepayments and other current assets increased by 28% to ₱1,146.14 million as of September 30, 2021 from ₱896.45 million as of December 31, 2020 due to the following attributes:

- Acquired vaccines for COVID19.
- Higher prepaid taxes and licenses representing the unamortized portion of business permits and increase in creditable withholding taxes.
- Increase in prepaid software cost for the renewal of cloud subscription.
- Additional restricted cash in bank placed during the period.

Non-current Assets

Property and equipment, net decreased by 6% to ₱1,916.96 million as of September 30, 2021 from ₱2,031.82 million as of December 31, 2020, primarily due to net depreciation of assets.

Right of use assets, net is higher by 9% to ₱2,385.48 million as of September 30, 2021 from ₱2,197.90 million as of December 31, 2020, mainly due to additions of ₱969.67 million, offset by amortization of ₱765.96 million for the period.

Intangibles, net is lower by 13% to ₱278.89 million as of September 30, 2021 from ₱321.69 million as of December 31, 2020, driven by amortization of ₱73.64 million, offset by ₱30.06 million additions for the period.

Investment at fair value through other comprehensive income is down by 1% to ₱200.91 million as of September 30, 2021 from ₱232.12 million as of December 31, 2020, relative to movement in market price from ₱1.19/share to ₱1.03/share.

Investment in associates is up by 10% to ₱345.31 million as of September 30, 2021 from ₱314.28 million as of December 31, 2020 due to share in net income of the associates during the period.

Deferred tax assets - net decreased by 12% to ₱389.67 million as of September 30, 2021 from ₱443.56 million as of December 31, 2020 mainly from the CREATE Law transition wherein regular corporate income tax rate is reduced from 30% to 25% for domestic corporations.

Liabilities

Accounts and other payable is lower by 2% to ₱2,917.70 million as of September 30, 2021 from ₱2,985.54 million as of December 31, 2020, primarily due to payments made during the period and decrease in contracted liabilities relative to seasonality.

Notes payable (current and noncurrent) decreased to ₱1,763.02 million as of September 30, 2021 from ₱1,879.73 million as of December 31, 2020, driven by the settlements of loan amounting to ₱240.71 million, offset by the availment amounting to ₱124 million during the period.

Transmissions liability went down by 29% to ₱771.43 million as of September 30, 2021 from ₱1,081.61 million as of December 31, 2020, mainly attributable to transactions claimed during the period and decline in merchant liabilities.

Income tax payable is lower by 54% to ₱21.98 million as of September 30, 2021 from ₱47.62 million as of December 31, 2020 mainly due to lower taxable income during the period.

Lease liabilities (current and noncurrent) is higher by 9% to ₱2,571.85 million as of September 30, 2021 from ₱2,368.33 million as of December 31, 2020, primarily pertaining to additions to right-of-use assets amounting to ₱969.67 million, offset by lease payments during the period amounting to ₱738.46 million.

Dividend payable amounting to ₱5.69 million as of December 31, 2020 represents remaining balance of cash dividends declared by LBCH and a partially owned subsidiary in 2020. This was paid in January 2021.

Bond payable increased by 19% to ₱1,640.53 million as of September 30, 2021 from ₱1,377.72 million as of December 31, 2020, mainly from the accretion of interest amounting to ₱170.75 million and foreign exchange loss recognized amounting to ₱90.71 million.

Derivative liability increased to ₱2,302.68 million as of September 30, 2021 from ₱2,099.79 million as of December 31, 2019, related to the loss on valuation incurred for the period amounting to ₱202.89 million.

Other liabilities account is lower by 73% to ₱4.64 million as of September 30, 2021 from ₱17.45 million in 2020 due to settlements during the period.

LIQUIDITY

Cash Flows

Nine months period ended September 30, 2021 compared to the nine months period ended September 30, 2020

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense, unrealized foreign exchange gain, gain on derivative, equity in net earnings of associates and changes in working capital. The Company's cash flows from these activities resulted to a net cash inflow of ₱1,227.65 million for the nine months period ended September 30, 2021 and net cash inflow of ₱1,505.88 million for the nine months period ended September 30, 2020. For the nine months ended September 30, 2021 and 2020, inflow/outflow from operating activities were generally from normal operations.

Cash flows from investing activities

Cash used in investing activities for the nine months period ended September 30, 2021 and 2020 amounted to ₱220.26 million and ₱1,028.07 million, respectively. For the nine months period ended September 30, 2021, the Company spent ₱279.14 million from the acquisition of property and equipment and intangible assets.

Cash flow from financing activities

Net cash used in financing activities for the nine months period ended September 30, 2021 amounted to ₱1,039.94 million while the inflow for the nine months period ended September 30, 2020 is ₱210.10 million.

In 2021, cash used comprise primarily of payments of lease liabilities and notes payable.

PART II - OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LBC EXPRESS HOLDINGS, INC.

A handwritten signature in black ink, appearing to read 'ER', is positioned above the printed name.

ENRIQUE V. REY, JR.
Chief Finance Officer

November 19, 2021

**LBC Express Holdings, Inc.
and Subsidiaries**

Unaudited Interim Condensed Consolidated
Financial Statements
As at September 30, 2021 and
for the Nine Months Ended
September 30, 2021 and 2020
*(With Comparative Audited Consolidated Statement
of Financial Position as at
December 31, 2020)*

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 23 and 24)	P5,341,319,122	P5,246,052,475
Trade and other receivables (Notes 5, 17, 23 and 24)	1,975,995,096	1,983,366,602
Due from related parties (Notes 17, 23 and 24)	1,137,939,036	1,115,174,011
Investments at fair value through profit or loss (Notes 9, 23 and 24)	15,735,766	14,942,602
Prepayments and other current assets (Notes 6, 11, 17, 23 and 24)	1,146,144,910	896,445,303
Total Current Assets	9,617,133,930	9,255,980,993
Noncurrent Assets		
Property and equipment (Note 7)	1,916,960,217	2,031,815,630
Right-of-use assets (Note 21)	2,385,477,928	2,197,897,942
Intangible assets (Note 8)	278,893,048	321,694,139
Investment at fair value through other comprehensive income (Notes 9, 23 and 24)	200,911,876	232,121,488
Deferred tax assets - net (Note 20)	389,672,249	443,560,985
Security deposits (Note 21)	394,958,019	359,627,688
Investment in associates (Note 10)	345,309,796	314,283,719
Goodwill (Note 3)	287,024,985	286,887,944
Other noncurrent assets (Notes 6, 11 and 17)	210,041,868	217,807,631
Total Noncurrent Assets	6,409,249,986	6,405,697,166
	P16,026,383,916	P15,661,678,159
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12, 17, 23 and 24)	P2,917,696,568	P2,985,543,685
Due to related parties (Notes 17, 23 and 24)	39,755,423	40,213,210
Dividends payable (Notes 16, 23 and 24)	-	5,686,654
Current portion of notes payable (Notes 14, 23 and 24)	1,180,409,006	1,100,015,633
Transmissions liability (Notes 13, 17, 23 and 24)	771,432,521	1,081,611,192
Income tax payable	21,982,682	47,624,988
Current portion of lease liabilities (Notes 21, 23 and 24)	958,441,563	816,980,388
Bond payable (Notes 15, 23 and 24)	1,640,533,811	1,377,723,388
Derivative liability (Notes 15, 23 and 24)	2,302,679,805	2,099,785,841
Total Current Liabilities	9,832,931,379	9,555,184,979
Noncurrent Liabilities		
Lease liabilities - net of current portion (Notes 21, 23 and 24)	1,613,408,820	1,551,353,925
Notes payable - net of current portion (Notes 14, 23 and 24)	582,608,246	779,711,006
Retirement benefit liability - net (Note 22)	746,291,003	764,885,679
Deferred tax liability - net (Note 20)	16,631,141	21,986,728
Other noncurrent liabilities (Notes 12, 23 and 24)	4,642,039	17,447,095
Total Noncurrent Liabilities	2,963,581,249	3,135,384,433
	12,796,512,628	12,690,569,412
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 16)	1,425,865,471	1,425,865,471
Retained earnings	1,782,825,256	1,536,482,182
Accumulated comprehensive losses	(2,040,281)	(4,063,817)
	3,206,650,446	2,958,283,836
Non-controlling interests	23,220,842	12,824,911
Total Equity	3,229,871,288	2,971,108,747
	P16,026,383,916	P15,661,678,159

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine Months Ended September 30		Three months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
SERVICE REVENUE (Note 25)	₱12,317,235,384	₱9,631,161,294	₱3,903,363,802	₱3,987,971,925
COST OF SERVICES (Note 18)	9,426,897,214	7,383,922,406	3,131,328,473	2,601,018,263
GROSS PROFIT	2,890,338,170	2,247,238,888	772,035,329	1,386,953,662
OPERATING EXPENSES (Note 19)	2,079,239,214	2,040,711,349	755,670,957	677,212,061
OPERATING INCOME	811,098,956	206,527,539	16,364,372	709,741,601
OTHER INCOME (CHARGES)				
Equity in net earnings of associates (Note 10)	59,715,715	7,029,620	12,851,003	1,431,114
Foreign exchange gains - net (Notes 19 and 23)	39,190,648	28,237,849	22,501,216	75,072
Interest income (Notes 4, 11 and 17)	6,330,401	19,263,828	2,044,816	4,017,274
Fair value gain on investment at fair value through profit or loss (Note 9)	12,564	32,196	4,035	6,822
Gain (loss) on derivative (Note 15)	(202,893,964)	(4,966,031)	(40,889,194)	2,616,800
Interest expense (Notes 14, 15, 17 and 21)	(340,821,926)	(324,442,391)	(109,747,365)	(114,222,153)
Others - net	(2,730,164)	13,712,922	3,776,234	6,699,738
	(441,196,726)	(261,132,007)	(109,459,255)	(99,375,333)
INCOME (LOSS) BEFORE INCOME TAX	369,902,230	(54,604,468)	(93,094,883)	610,366,268
INCOME TAX PROVISION (BENEFIT) (Note 20)	112,941,956	2,163,879	(31,882,989)	167,985,837
NET INCOME (LOSS) FOR THE PERIOD	256,960,274	(56,768,347)	(61,211,894)	442,380,431
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains (losses) on retirement benefit plan - net of tax	10,862,424	(2,235,724)	3,094,706	(937,975)
Share in other comprehensive loss of an associate (Note 10)	(3,189,638)	(239,704)	(81,000)	—
Unrealized fair value loss on equity investments at fair value through other comprehensive income (Note 9)	(31,209,612)	(93,628,835)	(29,259,011)	(1,950,601)
Items that may be reclassified to profit or loss in subsequent periods				
Currency translation gains (losses) - net	25,339,093	(63,025,384)	38,127,193	(24,732,155)
	1,802,267	(159,129,647)	11,881,888	(27,620,731)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱258,762,541	(₱215,897,994)	(₱49,330,006)	₱414,759,700
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	₱246,343,074	(₱53,230,112)	(₱64,218,656)	₱448,502,955
Non-controlling interests	10,617,200	(3,538,235)	3,006,762	(6,122,524)
NET INCOME (LOSS) FOR THE PERIOD	₱256,960,274	(₱56,768,347)	(₱61,211,894)	₱442,380,431
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the Parent Company	₱248,366,610	(₱210,631,479)	(₱52,868,044)	₱418,868,775
Non-controlling interests	10,395,931	(5,266,515)	3,538,038	(4,109,075)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	₱258,762,541	(₱215,897,994)	(₱49,330,006)	₱414,759,700
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	₱0.17	(₱0.04)	(₱0.05)	₱0.31
Diluted	₱0.17	(₱0.04)	(₱0.05)	₱0.29

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Nine Months Ended September 30, 2021 (Unaudited)					
	Capital Stock (Note 16)	Retained Earnings	Accumulated Comprehensive Income (Loss)	Total	Non-controlling Interests	Total Equity
Balances at beginning of the period	₱1,425,865,471	₱1,536,482,182	(₱4,063,817)	₱2,958,283,836	₱12,824,911	₱2,971,108,747
Comprehensive income:						
Net Income	—	246,343,074	—	246,343,074	10,617,200	256,960,274
Other comprehensive income (loss)	—	—	2,023,536	2,023,536	(221,269)	1,802,267
Total comprehensive income	—	246,343,074	2,023,536	248,366,610	10,395,931	258,762,541
Balances at end of period	₱1,425,865,471	₱1,782,825,256	(₱2,040,281)	₱3,206,650,446	₱23,220,842	₱3,229,871,288

	For the Nine Months Ended September 30, 2020 (Unaudited)					
	Capital Stock (Note 16)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balances at beginning of the period	₱1,425,865,471	₱1,621,371,760	₱193,677,606	₱3,240,914,837	₱27,198,868	₱3,268,113,705
Comprehensive losses:						
Net loss	—	(53,230,112)	—	(53,230,112)	(3,538,235)	(56,768,347)
Other comprehensive loss	—	—	(157,401,367)	(157,401,367)	(1,728,280)	(159,129,647)
Total comprehensive losses	—	(53,230,112)	(157,401,367)	(210,631,479)	(5,266,515)	(215,897,994)
Balances at end of period	₱1,425,865,471	₱1,568,141,648	₱36,276,239	₱3,030,283,358	₱21,932,353	₱3,052,215,711

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30 (Unaudited)	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	P369,902,230	(P54,604,468)
Adjustments for:		
Depreciation and amortization (Notes 7, 8, 18, 19, 21)	1,175,889,507	1,042,758,100
Interest expense (Notes 14, 15, 17 and 21)	340,821,926	324,442,391
Loss on derivative (Note 15)	202,893,964	4,966,031
Loss (gain) on disposal of property and equipment	56,544	(950,121)
Unrealized foreign exchange (gain) loss	(3,233,590)	8,518,621
Fair value gain on investment at fair value through profit or loss (Note 9)	(12,564)	(32,196)
Retirement expense, net of benefits paid and contribution to retirement plan	(20,476,892)	40,340,380
Equity in net earnings of an associate (Note 10)	(59,715,715)	(7,029,620)
Interest income (Notes 4, 11 and 17)	(6,330,401)	(19,263,828)
Operating income before changes in working capital	1,999,795,009	1,339,145,290
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	10,263,893	(303,293,771)
Prepayments and other current assets	(241,258,845)	(112,069,332)
Security deposits	(34,971,505)	(23,891,395)
Other noncurrent assets	8,521,737	17,129,390
Increase (decrease) in:		
Accounts and other payables	(132,463,676)	353,633,072
Transmissions liability	(310,657,746)	332,560,178
Net cash generated from operations	1,299,228,867	1,603,213,432
Interest received	6,330,401	19,263,828
Income tax paid	(77,911,899)	(116,596,669)
Net cash provided by operating activities	1,227,647,369	1,505,880,591
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Disposal of property and equipment	7,787,411	2,080,530
Payments for acquisitions of:		
Intangible assets (Note 27)	(32,023,821)	(47,327,855)
Property and equipment (Note 27)	(247,119,580)	(976,902,588)
Decrease (increase) in due from related parties	38,342,103	(16,425,025)
Dividend received	12,750,000	10,500,000
Net cash used in investing activities	(220,263,887)	(1,028,074,938)
<i>(Forward)</i>		

	Nine Months Ended September 30	
	(Unaudited)	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable (Note 27)	₱124,000,000	₱1,091,823,000
(Increase) decrease in due to related parties (Note 27)	(457,787)	8,779,942
Dividends paid (Note 27)	(5,686,654)	(14,775,250)
Interest paid (Note 27)	(165,816,484)	(172,390,367)
Payments of notes payable (Note 27)	(240,709,387)	(145,773,008)
Payments of principal amount of lease liabilities (Note 27)	(751,266,686)	(557,567,369)
Net cash provided by (used in) financing activities	(1,039,936,998)	210,096,948
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32,553,516)	687,902,601
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	127,820,163	(99,945,313)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,246,052,475	4,418,669,253
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱5,341,319,122	₱5,006,626,541

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

LBC Express Holdings, Inc. (referred to as the “Parent Company” or “LBCH”), formerly Federal Resources Investment Group Inc. (FED), was registered with the Securities and Exchange Commission (SEC) on July 12, 1993.

The ultimate parent of the Parent Company is LBC Development Corporation (LBCDC). The Araneta Family is the ultimate beneficial owner of the Parent Company.

FED, before it was acquired by LBCH, undertook an Initial Public Offering and on December 21, 2001, FED’s shares were listed on the Philippine Stock Exchange (PSE).

The Parent Company invests, purchases or disposes real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation, association, domestic and foreign.

The Parent Company is a public holding company with investments in businesses of messengerial either by sea, air or land of letters, parcels, cargoes, wares, and merchandise; acceptance and remittance of money, bills payment and the like; performance of other allied general services from one place of destination to another within and outside of the Philippines; and foreign exchange trading.

The Parent Company’s registered office address is at LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies and Significant Accounting Estimates, Judgements and Assumptions

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are set out below. These policies have been constantly applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The accompanying interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for investments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), and derivatives which have been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine Peso (₱). All amounts are rounded off to the nearest peso, unless otherwise indicated.

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the

Group's annual audited consolidated financial statements as at and for the year ended December 31, 2020, which have been prepared in accordance with PFRS.

Difference in accounting periods

The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end and the nine months ended August 31 third quarter end financial statements except for QUADX Pte. Ltd. with December 31 year end which are aligned with the Parent Company since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

In 2021, the Parent Company's subsidiary, LBC Mabuhay (Malaysia) Sdn. Bhd. has changed its accounting period end from December 31 to November 30. This subsidiary was previously consolidated using coterminous financial statements and is now being consolidated using the non-coterminous financial statements for the eight months ended August 31. The Group did not reflect any transactions from September 1 to 30, 2020 as these are not considered to be significant.

In 2020, LBC Mabuhay (B) Sdn. Bhd and LBC Mabuhay Remittance Sdn. Bhd have changed its accounting period end from June 30 and December 31, respectively, to November 30. These subsidiaries were previously consolidated using coterminous financial statements and are now being consolidated using the non-coterminous financial statements.

Management exercised judgment in determining whether adjustments should be made in the interim condensed consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between September 1, 2021 and 2020 and the date of the Parent Company's financial statements which is September 30, 2021 and 2020 and between December 1, 2020 and the comparative date of the Parent Company's financial position which is December 31, 2020.

The interim condensed consolidated financial statements were adjusted to reflect the following:

- LBCE's settlement of bank loans in September 2021 and 2020 amounting to ₱30.91 million and ₱17.99 million, respectively;
- Changes in fair value of equity investment at FVOCI amounting ₱13.65 million and ₱1.95 million for the periods September 1 to September 30, 2021 and 2020, respectively; and
- Time deposit placement amounting to nil and ₱98.69 in September 2021 and 2020, respectively.

The consolidated financial statements as of December 31, 2020 were adjusted to effect LBCE's availment and settlement of bank loans in December 2020 amounting to ₱100.00 million and ₱26.99 million, respectively, adjustment to reflect additional investment in associate related to the purchase of shares of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱79.81 million including the equity share in net earnings of TBAI amounting to ₱1.78 million and adjustment to reflect the decrease in fair value of investment at FVOCI by ₱5.85 million for the period ended December 1 to 31, 2020.

There were no other significant transactions that transpired between September 1, 2021 to September 30, 2021, December 1, 2020 to December 31, 2020 and September 1, 2020 to September 30, 2020.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. The interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- ☐ power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- ☐ exposure, or rights, to variable returns from its involvement with the investee, and
- ☐ the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Non-controlling interests (NCI) represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and within equity in the interim condensed statement of financial position, separately from the Parent Company's equity. Any equity instruments issued by a subsidiary that are not owned by LBCH are non-controlling interests including preferred shares and options under share-based transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of LBCH and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the interim condensed consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interests
- derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received

- recognizes the fair value of any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies LBCH's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profit and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

On January 1, 2021, LBC Mundial Corporation acquired 1,000 shares of common stock of LBC Business Solutions North America Corp. (LSN) for a total purchase price of US \$2,500 or ₱0.12 million. LSN is a non-vessel operating common carrier registered in the United States (Note 3).

There were no other acquisitions and disposal nor changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2021 to September 30, 2021.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except otherwise stated, the adoption of the new accounting standards, amendments and interpretations which apply for the first time in 2021, do not have an impact on the interim condensed consolidated financial statements of the Group.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The amendments does not have significant impact on the Group's interim consolidated financial statements.

Significant Accounting Judgments Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

There were no significant changes in the significant accounting judgments, estimates, and assumptions used by the Group for the interim period ended September 30, 2021.

3. **Business Combination and Goodwill**

On January 1, 2021, LBC Mundial Corporation acquired 1,000 shares of common stock of LBC Business Solutions North America Corp. (LSN) for a total purchase price of US \$2,500 or ₱0.12 million. LSN is a non-vessel operating common carrier registered in the United States. The fair values of identifiable assets acquired and liabilities assumed as at the date of acquisition as shown below:

Percentage of ownership of LBC Mundial	100%
Assets	₱5,907,900
Liabilities	5,924,851
Net Assets	(16,951)
Add: Purchased goodwill	137,041
Purchase consideration	₱120,090

The purchase price allocation for LSN has been prepared in provisional basis due to unavailability of information to complete the fair value calculation. Reasonable changes are expected as additional information becomes available. The account that is subject to provisional accounting is the goodwill amounting to ₱0.14 million which represents the fair value of expected synergies, revenue growth and future developments that do not meet the recognition criteria for intangible assets.

There were no contingent considerations in the above acquisition.

The share in revenue and net income included in the statement of comprehensive income of the acquired entities from January 1 to September 30, 2021 follows:

Share in revenue	44,776,796
Share in net income	4,633,132

There were no other acquisition and disposal of subsidiaries for the nine months ended September 30, 2021.

Impairment testing of Goodwill

The Group performs its annual impairment test in December and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different significant cash generating units were disclosed in the annual consolidated financial statements for the year ended December 31, 2020.

The Group did not perform impairment test on goodwill for the nine months ended September 30, 2021 since impairment testing is performed every year end. When reviewing for indicators of impairment, the Group considers various external and internal sources of information.

The Group did not recognize impairment losses on goodwill as of September 30, 2021.

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)	September 30, 2020 (Unaudited)
Cash on hand	P288,969,591	P489,482,813	P413,885,644
Cash in banks	3,284,678,146	2,829,691,499	2,724,160,403
Cash equivalents	1,767,671,385	1,926,878,163	1,868,580,494
	P5,341,319,122	P5,246,052,475	P5,006,626,541

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to nine months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term placement rates.

Cash in banks and cash equivalents earn interest ranging from 0.125% to 1.625% per annum in 2021 and 0.25% to 5.125% in 2020. Interest income earned from cash and cash equivalents amounted to P4.12 million and P16.14 million for the nine months ended September 30, 2021 and 2020, respectively.

5. Trade and Other Receivables

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables - outside parties	₱1,736,252,881	₱1,768,010,128
Trade receivables - related parties (Note 17)	346,196,670	338,853,930
	2,082,449,551	2,106,864,058
Less allowance for expected credit losses	208,291,533	193,699,800
	1,874,158,018	1,913,164,258
Other receivables:		
Advances to officers and employees	48,781,242	30,734,852
Others	53,055,836	39,467,492
	₱1,975,995,096	₱1,983,366,602

Trade receivables arise from sale of services related to inbound and outbound courier services handling and consolidation services with normal credit terms of 30 to 90 days.

Advances to officers and employees consist mainly of noninterest-bearing advances which are subject to liquidation upon completion of the business transaction and personal advances subject to salary deductions.

Others mainly consist of SSS benefit receivable to be reimbursed within a year and accrual of interest income which is expected to be collected upon maturity of the short-term placements.

The amount of trade receivables written off amounted to P5.01 million for the nine months ended September 30, 2021 and nil in 2020. Trade receivables written off were deemed uncollectible and were previously provided with allowance.

The Group performed reassessment of the collectability of its receivables and as a result, recognized additional provision for impairment losses. These were recognized under operating expenses in the consolidated statements of comprehensive income.

The movements in allowance for impairment losses of trade receivables follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At the beginning of period	₱193,699,800	₱172,728,970
Provision for impairment losses (Note 19)	20,650,745	53,387,878
Accounts written-off	(5,005,431)	(29,457,407)
Recoveries	(1,053,581)	(2,959,641)
At the end of the period	₱208,291,533	₱193,699,800

6. Prepayments and Other Assets

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Input value-added tax (VAT)	P252,554,635	P282,064,886
Materials and supplies	237,882,709	216,672,206
Prepayments:		
Taxes	93,987,394	61,892,570
Employee benefits	58,020,019	18,345,731
Insurance	35,469,799	20,022,880
Software maintenance	23,497,127	13,389,683
Rent	16,447,809	17,610,598
Transportation supplies	10,755,492	13,080,083
Dues and subscriptions	531,889	4,900,634
Advertising	98,782	595,529
Others	25,658,407	31,934,886
Creditable withholding taxes (CWTs)	261,376,861	152,747,522
Short-term cash investments	129,178,889	124,175,918
Loans receivable (Note 11)	82,976,713	81,371,302
Restricted cash in bank	42,634,933	10,373,664
Deferred input VAT	21,430,944	18,587,778
Notes receivable (Note 17)	19,147,013	21,342,954
Advance payment to supplier	9,000,000	9,000,000
Electronic wallet	18,425,154	6,354,979
Others	17,112,209	9,789,131
	1,356,186,778	1,114,252,934
Less: noncurrent portion	210,041,868	217,807,631
	P1,146,144,910	P896,445,303

Details of noncurrent portion follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
VAT on capital goods	P89,687,626	P101,571,438
Loans receivable (Note 11)	76,861,633	75,606,982
Notes receivable (Note 17)	19,147,013	21,342,954
Advance payment to a supplier	9,000,000	9,000,000
Prepaid rent	314,904	2,495,392
Other assets	15,030,692	7,790,865
Total noncurrent portion	P210,041,868	P217,807,631

Interest income earned from restricted cash in bank amounted to P0.23 million and P0.62 million for the nine months ended September 30, 2021 and 2020, respectively.

7. Property and Equipment

The rollforward analysis of this account follows:

	For the Nine months ended September 30, 2021 (Unaudited)						
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
Balances at beginning of period	P592,501,539	P1,884,325,235	P504,769,473	P1,043,113,395	P1,031,257,734	P17,184,070	P5,073,151,446
Additions	17,410,089	63,271,581	47,778,545	62,323,929	—	56,805,719	247,589,863
Reclassifications	—	40,874,228	—	—	—	(40,874,228)	—
Disposals	(8,296,823)	(11,460,472)	(7,202,036)	(2,470,301)	—	—	(29,429,632)
Effect on changes in foreign currency exchange rate	1,311,686	2,396,626	(486,891)	780,085	—	—	4,001,506
Balances at end of period	P602,926,491	P1,979,407,198	P544,859,091	P1,103,747,108	P1,031,257,734	P33,115,561	P5,295,313,183
Accumulated depreciation and amortization							
Balances at beginning of period	P349,382,550	P1,482,794,408	P380,995,662	P828,163,196	P—	P—	P3,041,335,816
Depreciation and amortization (Notes 18 and 19)	43,674,033	147,016,350	57,164,412	107,395,666	—	—	355,250,461
Disposals	(3,314,216)	(10,022,283)	(5,945,488)	(2,303,690)	—	—	(21,585,677)
Effect on changes in foreign currency exchange rate	1,955,622	985,800	300,133	110,811	—	—	3,352,366
Balances at end of period	391,697,989	1,620,774,275	432,514,719	933,365,983	—	—	3,378,352,966
Net Book Value	P211,228,502	P358,632,923	P112,344,372	P170,381,125	P1,031,257,734	P33,115,561	P1,916,960,217

For the year ended December 31, 2020 (Audited)							
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Land	Construction in Progress	Total
Costs							
Balances at beginning of year	₱607,588,702	₱1,731,966,989	₱635,785,721	₱942,680,948	₱1,031,257,734	₱6,370,930	₱4,955,651,024
Additions	66,291,097	48,351,022	90,451,637	101,039,102	—	120,823,256	426,956,114
Reclassifications	—	110,010,116	—	—	—	(110,010,116)	—
Disposals	(78,617,079)	(4,572,214)	(221,262,526)	—	—	—	(304,451,819)
Effect of changes in foreign currency exchange rates	(2,761,181)	(1,430,678)	(205,359)	(606,655)	—	—	(5,003,873)
Balances at end of year	592,501,539	1,884,325,235	504,769,473	1,043,113,395	₱1,031,257,734	17,184,070	5,073,151,446
Accumulated depreciation and amortization							
Balances at beginning of year	373,345,035	1,255,480,892	534,980,566	681,109,471	—	—	2,844,915,964
Depreciation and amortization (Notes 18 and 19)	55,550,137	233,077,679	67,679,524	147,407,508	—	—	503,714,848
Disposals	(76,599,165)	(4,428,663)	(221,237,552)	—	—	—	(302,265,380)
Effect of changes in foreign currency exchange rates	(2,913,457)	(1,335,500)	(426,876)	(353,783)	—	—	(5,029,616)
Balances at end of year	349,382,550	1,482,794,408	380,995,662	828,163,196	—	—	3,041,335,816
Net book value	₱243,118,989	₱401,530,827	₱123,773,811	₱214,950,199	₱1,031,257,734	₱17,184,070	₱2,031,815,630

8. Intangible Assets

The rollforward analysis of this account follows:

	For the Nine months ended September 30, 2021 (Unaudited)		
	Software	Development in Progress	Total
Costs			
Balances at beginning of period	₱562,272,298	₱73,947,217	₱636,219,515
Additions	13,004,216	17,057,686	30,061,902
Reclassification	28,653,193	(28,653,193)	—
Effect of changes in foreign currency exchange rates	3,875,174	203,178	4,078,352
Balances at end of period	607,804,881	62,554,888	670,359,769
Accumulated Amortization			
Balances at beginning of period	314,525,376	—	314,525,376
Amortization (Notes 18 and 19)	73,641,273	—	73,641,273
Effect of changes in foreign currency exchange rates	3,300,072	—	3,300,072
Balances at end of period	391,466,721	—	391,466,721
Net Book Value	₱216,338,160	₱62,554,888	₱278,893,048

	For the year ended December 31, 2020 (Audited)		
	Software	Development in Progress	Total
Costs			
Balances at beginning of year	₱546,200,840	₱71,564,823	₱617,765,663
Additions	26,397,504	33,789,395	60,186,899
Reclassification	31,081,055	(31,081,055)	—
Retirement	(38,030,856)	—	(38,030,856)
Effect of changes in foreign currency exchange rates	(3,376,245)	(325,946)	(3,702,191)
Balances at end of year	562,272,298	73,947,217	636,219,515
Accumulated Amortization			
Balances at beginning of year	254,018,765	—	254,018,765
Amortization (Notes 18 and 19)	100,760,882	—	100,760,882
Retirement	(38,030,856)	—	(38,030,856)
Effect of changes in foreign currency exchange rates	(2,223,415)	—	(2,223,415)
Balances at end of year	314,525,376	—	314,525,376
Net book value	₱247,746,922	₱73,947,217	₱321,694,139

9. Investments at Fair Value through Profit or Loss and through OCI

Investment at FVPL represents the Group's investments in unquoted unit investment trust fund.

Investment at FVOCI represents investment in the quoted shares of stock of Araneta Properties, Inc.

Movement of the investments at fair value follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
FVOCI		
Balance at beginning of period	₱232,121,488	₱286,738,308
Unrealized fair value loss during the period	(31,209,612)	(54,616,820)
	₱200,911,876	₱232,121,488
<hr/>		
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
FVPL		
Balance at beginning of period	₱14,942,602	₱15,629,263
Unrealized foreign exchange gain (loss)	780,600	(723,184)
Unrealized fair value gain during the period	12,564	36,523
	₱15,735,766	₱14,942,602

The unrealized fair value gain (loss) related to investment at FVPL is presented under 'Other income (charges)' in the interim consolidated statements of comprehensive income.

Movement in unrealized gain (loss) on investment at FVOCI follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	(₱31,990,274)	₱22,626,546
Unrealized loss during the period from quoted investments:	(31,209,612)	(54,616,820)
Balance at end of period (Note 16)	(₱63,199,886)	(₱31,990,274)

10. Investment in Associates

Investment in Terra Barbaza Aviation, Inc. (TBAI)

On December 17, 2020, the application for authorized capital stock for Preferred A and B Shares of TBAI was approved by SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.787% of the total outstanding Common Shares. Share in earnings of associate was recognized from TBAI amounting to ₱3.53 million for the nine months ended September 30, 2021 and ₱1.78 million for the year ended December 31, 2020.

Movement in the investment in TBAI is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Costs		
At acquisition date	₱79,809,022	₱79,809,022
Accumulated Equity on Net Earnings		
Balance at beginning of period	1,783,992	—
Equity share in net earnings	3,529,178	1,783,992
	5,313,170	1,783,992
Carrying Value	₱85,122,192	₱81,593,014

The summarized statements of financial position of TBAI follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current assets	₱49,510,940	₱49,488,072
Noncurrent assets	407,396,286	411,985,141
Current liabilities	(25,244,604)	(44,048,613)
Equity	431,662,622	417,424,600
Proportion of Group's ownership	24.787%	24.787%
Group's share in identifiable asset	106,996,214	103,467,036
Implied negative goodwill	(21,874,022)	(21,874,022)
Carrying amount of the investment	₱85,122,192	₱81,593,014

The summarized statement of comprehensive income of TBAI follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Revenue	₱50,274,676	₱26,430,344
Cost and expenses	36,036,656	19,233,057
Net income	14,238,020	7,197,287
Group's share in total comprehensive income	₱3,529,178	₱1,783,992

Investment in Orient Freight International, Inc. (OFII)

On March 19, 2018, the Parent Company invested in 30% of OFII, a company involved in freight forwarding, warehousing and customs brokerage businesses operating within the Philippines. In relation to the acquisition of shares, the Parent Company shall also exert commercially reasonable efforts to direct a certain amount of additional annual recurring logistics service business to OFII for a period of five years from closing date.

OFII declared dividends amounting to ₱25.50 million and ₱21.00 million as of September 30, 2021 and December 31, 2020, respectively. No impairment loss was recognized for the investment in associate in 2021 and 2020.

Movement in the investment in OFII is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Costs		
At acquisition date	P227,916,452	P227,916,452
Accumulated Equity on Net Earnings		
Balance at beginning of period	4,549,594	22,257,868
Equity share in net earnings	56,186,537	3,291,726
Less: Dividend income	(25,500,000)	(21,000,000)
	35,236,131	4,549,594
Other Comprehensive Income		
Balance at beginning of period	224,659	464,363
Equity share in other comprehensive loss	(3,189,638)	(239,704)
	(2,964,979)	224,659
Carrying Value	P260,187,604	P232,690,705

The summarized statements of financial position of OFII follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current assets	P631,755,672	P595,803,889
Noncurrent assets	151,431,821	190,480,192
Current liabilities	(297,726,263)	(284,954,232)
Noncurrent liabilities	(59,367,553)	(80,309,957)
Equity	426,093,677	421,019,892
Proportion of Group's ownership	30.00%	30.00%
Group's share in identifiable asset	127,828,104	126,305,968
Implied goodwill	132,359,500	132,359,500
Others	—	(25,974,763)
Carrying amount of the investment	P260,187,604	P232,690,705

The summarized statement of comprehensive income of OFII follows:

	For the Nine months ended September 30, 2021 (Unaudited)	For the year ended December 31, 2020 (Audited)
Revenue	P878,407,712	P550,593,274
Cost and expenses	691,119,255	539,620,853
Net income	187,288,457	10,972,421
Other comprehensive income	(10,632,130)	(799,012)
Total comprehensive income	176,656,327	P10,173,409
Group's share in total comprehensive income	P52,996,899	P3,052,023

11. Receivable and Trademark Agreement

On September 25, 2019, LBCH extended a 15-year 2.3% interest-bearing loan to Transtech Co. Ltd. (Transtech) amounting to \$1.80 million. Transtech, an entity incorporated in Japan, is involved in freight forwarding, warehousing, and packing business. Its services include forwarding of Balikbayan boxes from Japan to the Philippines.

Transtech shall pay interests on a quarterly basis. The Loan Agreement also constitutes a pledge by Transtech on its trademark for the benefit of LBCH, to secure LBCH's claims to the repayment of the loaned amount in case of default as defined in the Loan Agreement.

Subsequently, on September 30, 2019, Transtech granted LBCH an exclusive license to use its registered trademark subject to restrictions for a period of 10 years with automatic renewal of 3 years unless otherwise discontinued in writing by either parties. LBCH may, in its discretion, use the trademark in combination with any text, graphics, mark, or any other indication. As consideration for the exclusive use of license, LBCH shall pay royalty of \$0.13 million annually.

For the nine months ended September 30, 2021 and 2020, LBCH incurred royalty fee amounting to ₱4.60 million and ₱4.71 million, respectively. The related payable was offset to LBCH's interest receivable from Transtech amounting to ₱1.37 million and ₱0.19 million for the nine months ended September 30, 2021 and 2020, respectively, and to loans receivable amounting to ₱3.23 million and ₱4.52 million for the nine months ended September 30, 2021 and 2020, respectively.

Current and noncurrent portion as at September 30, 2021 and December 31, 2020 is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion*	₱6,115,080	₱5,764,320
Noncurrent portion**	76,861,633	75,606,982
	₱82,976,713	₱81,371,302

*Presented under 'prepayment and other current assets'

**Presented under 'Other noncurrent assets'

Interest income earned amounted to ₱1.37 million and ₱1.51 million for the nine months ended September 30, 2021 and 2020, respectively.

12. Accounts and Other Payables and Other Noncurrent Liabilities

Accounts and other payables account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payable - outside parties	P1,192,144,244	P1,091,635,283
Trade payable - related parties (Note 17)	1,221,554	25,498,565
Accruals:		
Salaries and wages	458,504,687	378,967,627
Contracted jobs	118,992,480	211,674,549
Rent and utilities	116,087,268	161,124,705
Claims and losses	90,066,485	46,696,727
Advertising	47,242,962	36,294,322
Taxes	12,573,354	32,606,690
Software maintenance	18,749,980	16,487,655
Professional fees	13,875,957	23,450,583
Outside services	34,332,757	20,636,652
Others	65,903,190	44,023,492
Taxes payable	414,387,796	485,732,906
Contract liabilities	227,165,758	305,719,056
Government agencies contributions payables	36,007,097	32,075,622
Others	70,440,999	72,919,251
	P2,917,696,568	P2,985,543,685

The Group's other liabilities consist of unpaid balances pertaining to an acquired payroll system and a logistics software on a non-interest-bearing long-term payment arrangement.

Movements in other liabilities follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
At beginning of period	P39,191,334	P80,339,409
Principal payments	(17,077,515)	(44,384,659)
Amortization of deferred interest	1,182,332	3,236,584
	23,296,151	39,191,334
Less: current portion*	18,654,112	21,744,239
Noncurrent portion	P4,642,039	P17,447,095

*Included in others under "Accounts and other payables".

13. Transmissions Liability

Transmissions liability represents money transfer remittances by clients that are still outstanding, and not yet claimed by the beneficiaries as at reporting date. These are due and demandable.

Transmissions liability amounted to ₱771.43 million and ₱1,081.61 million as at September 30, 2021 and December 31, 2020, respectively, of which liability amounting ₱3.2 million and ₱1.19 million as at September 30, 2021 and December 31, 2020, respectively, is payable to an affiliate (see Note 17).

14. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at September 30, 2021 and December 31, 2020 are described below:

September 30, 2021 (Unaudited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a. Unionbank of the Philippines	June 2019	12,100,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
b. Rizal Commercial Banking Corporation	October 2019	18,055,555	October 2023	6.55%, fixed rate	Clean; interest and principal payable every month
c. Unionbank of the Philippines	April 2019	42,900,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
d. Banco de Oro	June 2021	402,562,500	October 2021	4.25%, subject to repricing	With time deposit holdout; Interest payable every month, principal payable quarterly
e. Banco de Oro	June 2021	130,000,000	December 2021	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
f. Unionbank of the Philippines	July 2021	36,000,000	January 2022	5.25%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g. Banco de Oro	May 2021	48,000,000	Nov 2021	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
h. Unionbank of the Philippines	August 2021	552,565,863	August 2026	4.25%, subject to repricing	With mortgage; Interest payable every month, monthly principal payment, and lump-sum payment at the end of 5 th year
i. Unionbank of the Philippines	April 2020	145,833,334	April 2023	6.00%, subject to repricing	Clean; Interest and principal payable every quarter
j. Rizal Commercial Banking Corporation	April 2021	176,000,000	October 2021	5.100%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
k. Unionbank of the Philippines	December 2020	75,000,000	December 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter

September 30, 2021 (Unaudited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
1. Rizal Commercial Banking Corporation	May 2021	124,000,000	November 2021	4.50%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
Total		₱1,763,017,252			
Current portion		₱1,180,409,006			
Noncurrent portion		₱582,608,246			

December 31, 2020 (Audited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
a. Unionbank of the Philippines	June 2019	₱15,400,000	April 2024	7.053%, fixed rate	Clean; Interest and principal payable every quarter
b. Rizal Commercial Banking Corporation	October 2019	30,555,556	October 2022	6.55%, fixed rate	Clean; interest and principal payable every month
c. Unionbank of the Philippines	April 2019	54,600,000	April 2024	7.826%, fixed rate	Clean; Interest and principal to be paid quarterly
d. Banco de Oro	Various availments in 2016	452,500,000	May 2021	4.25%, subject to repricing	With mortgage; Interest payable every month, principal payable quarterly
e. Banco de Oro	June 2020	₱142,500,000	June 2021	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
f. Unionbank of the Philippines	July 2020	44,000,000	January 2021	5.75%, subject to repricing	Clean; Interest payable every month, principal payable upon maturity
g. Banco de Oro	November 2020	55,500,000	May 2021	4.25%, subject to repricing	Clean; Interest payable every month, principal to be paid on maturity date
h. Banco de Oro	February 2020	588,337,750	February 2025	4.25%, subject to repricing	With mortgage; Interest payable every month, monthly principal payment of ₱5.34 million and lump-sum payment at the end of 5 th year
i. Unionbank of the Philippines	April 2020	208,333,333	April 2023	6.00%, subject to repricing	Clean; Interest and principal payable every quarter
j. Rizal Commercial Banking Corporation	October 2020	188,000,000	April 2021	5.625%, fixed rate	Clean; Interest payable every month, principal payable upon maturity
k. Unionbank of the Philippines	December 2020	100,000,000	December 2023	5.00%, subject to repricing	Clean; Interest and principal payable every quarter
Total		₱1,879,726,639			
Current portion		₱1,100,015,633			
Noncurrent portion		₱779,711,006			

- a. On June 25, 2019, LBCE availed a 5-year interest bearing loan amounting to ₱22.00 million to finance other capital expenditures.
- b. On October 23, 2019, LBCE availed a 3-year interest-bearing loan amounting to ₱50.00 million to finance other capital expenditure.
- c. On April 15, 2019, LBCE availed a 5-year interest-bearing loan amounting to ₱78.00 million to finance other capital expenditures.

- d. The Notes Facility Agreement entered into by the Company with BDO in 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured by a real estate mortgage on land owned by the Company's affiliate (see Note 18). In June 2021, the term was extended up to October 2021 and secured by time deposit hold-out.

On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

- e. LBCE availed a short-term loan in 2018 amounting to ₱150.00 million to finance working capital requirement. This was rolled over in June and December 2020 with maturity date of June 2021, and further rolled over up to December 2021. Total payments made amounted to ₱12.5 million and ₱7.50 in 2021 and 2020.
- f. A short-term loan availed with Union Bank of the Philippines in August 2019 amounting to ₱50.00 million was rolled over in July 2020. This was subsequently rolled over in January and July 2021 with new maturity date of January 2022. In 2021 and 2020, ₱8.00 million and ₱6.00 million, respectively, of the loan was settled by LBCE.
- g. LBCE availed a short-term loan in December 2018 with Banco De Oro (BDO) to finance working capital requirement amounting to ₱60.00 million. This was rolled over in October 2019, June 2020, November 2020 and May 2021. In 2021 and 2020, ₱7.50 million and ₱4.50 million, respectively, of the loan was settled by LBCE.
- h. On February 10, 2020, LBCE availed a 5-year interest bearing loan with BDO amounting to ₱641.82 million to finance the 70% balance of the acquisition of land, recorded under property and equipment with a carrying amount of ₱1,031.26 million, which served as a collateral for the loan. On August 5, 2021, the loan was taken out via UBP with principal amounting to ₱552.57 million, a 5-year interest-bearing loan with maturity date of August 2026.

While the loan remains unpaid, LBCE shall not, without prior consent of the bank, permit any material change in the character of its business and controlling ownership; shall not undertake corporate reorganization; and amend Articles of Incorporation and By-laws. LBCE shall not participate in merger and consolidation except when it is the surviving corporation, nor sell, lease, mortgage or otherwise encumber or dispose of any asset owned, except (i) in the ordinary course of the business and (ii) to any consolidated subsidiary, person or entity which, upon such disposal, shall become a consolidated subsidiary of LBCE. There shall be no voluntary suspension of operations or dissolution of affairs. No dividend shall be declared to its stockholders other than dividends payable solely in shares of capital stock. In the event of default, LBCE shall not pay any loans or advances from its stockholders, affiliates, subsidiaries, or related entities. Further, LBCE shall ensure, that:

- The ratio of its consolidated debt to equity shall not exceed 4.0x, computed net of lease liabilities; and
 - Current ratio shall not be lower than 0.8x.
- i. On April 13, 2020, LBCE availed a 3-year interest-bearing loan amounting to ₱250.00 million to finance other capital expenditures.
- j. On May 4, 2020, LBCE availed a 90-day interest-bearing loan amounting to ₱200.00 million to finance its working capital requirements. This was rolled over in August 2020, October 2020 and April 2021. In 2021 and 2020, ₱62.50 million and ₱12.00 million, respectively, of the loan was settled by LBCE.

- k. On December 9, 2020, LBCE availed a 3-year interest-bearing loan from a UBP amounting to ₱100.00 million to finance its capital expenditures
- l. On May 28, 2021, LBCE availed a short-term, interest bearing loan amounting to ₱124.00 million to finance its working capital requirements.

Interest expense amounted to ₱64.95 million and ₱71.33 million for the nine months ended September 30, 2021 and 2020, respectively

The loans were used primarily for working capital requirements and capital expenditures. Except for the items mentioned above, there is no other loan subject to any covenants.

Movements in the notes payable account follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	₱1,879,726,639	₱929,722,222
Availments	124,000,000	1,191,823,000
Payments	(240,709,387)	(241,818,583)
	₱1,763,017,252	₱1,879,726,639

15. Convertible Instrument

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Derivative liability		
Balance at beginning of period	₱2,099,785,841	₱2,048,681,561
Fair value loss on derivative	202,893,964	51,104,280
	₱2,302,679,805	₱2,099,785,841
Bond payable		
Balance at beginning of period	₱1,377,723,388	₱1,247,021,058
Accretion of interest	170,753,973	201,855,843
Unrealized foreign exchange (loss) gain (Note 19)	90,707,387	(72,952,263)
Amortization of issuance cost	1,349,063	1,798,750
	₱1,640,533,811	₱1,377,723,388

On June 20, 2017, the BOD of the Parent Company approved the issuance of convertible instrument. The proceeds of the issuance of convertible instrument will be used to fund the growth of the business of the Parent Company, including capital expenditures and working capital. Accordingly, on August 4, 2017, the Parent Company issued, in favor of CP Briks Pte. Ltd (CP Briks), a seven-year secured convertible instrument in the aggregate principal amount of US\$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of the Parent Company at the option of CP Briks initially at ₱13.00 per share conversion price, subject to adjustments and resetting of conversion price in accordance with the terms and conditions of the instrument as follow:

- effective on three years (3) from issuance date (the Reset Date) - if the 30-day Trading Day Weighted Average Price (TDWAP) of the Parent Company's common shares on the Principal Market prior to the Reset Date is not higher than the initial conversion price, the conversion price shall be adjusted on the Reset Date to the 30-day TDWAP prior to Reset Date;
- upon issuance of common shares for a consideration less than the conversion price in effect - the conversion price shall be reduced to the price of the new issuance;
- upon subdivision or combination (i.e., stock dividend, stock split, recapitalization or otherwise) - the conversion price in effect shall be proportionately reduced or increased; and
- other events or voluntary adjustment.

The convertible instrument (to the extent that the same has not been converted by CP Briks as the holder or by the Parent Company) is redeemable at the option of CP Briks, commencing on the 30th month from the issuance date at the redemption price equal to the principal amount of the bond plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the issuance date, respectively). The agreement also contains redemption in cash by the Parent Company at a price equal to the principal amount of the bond plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the issuance date, respectively) in case of a Change of Control as defined under the agreement.

The Parent Company also has full or partial right to convert the shares subject to various conditions including pre-approval of the PSE of the listing of the conversion shares and other conditions to include closing sale price and daily trading volume of common shares trading on the Principal Market and upon plan of offering, placement of shares or similar transaction with common share price at a certain minimum share price.

The convertible instrument is a hybrid instrument containing host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract.

On October 3, 2017, the Parent Company entered into a pledge supplement with CP Briks whereby the Parent Company constituted in favor of CP Briks a pledge over all of the Parent Company's shares in LBCE consisting of 1,041,180,504 common shares, representing 100% of the total issued and outstanding capital stock of LBCE.

In the event of default, CP Briks may foreclose upon the pledge over LBCE shares as a result of which LBCE shares may be sold via auction to the highest bidder. The sale of LBCE shares in such public auction shall extinguish the outstanding obligation, whether or not the proceeds of the foreclosure sale are equal to the amount of the outstanding obligation. Under the terms of the pledge agreement, if LBCE shares are sold at a price higher than the amount of the outstanding obligation, any amount in excess of the outstanding obligation shall be paid to the Parent Company.

While CP Briks may participate in the auction of LBCE shares should there be a foreclosure, any such foreclosure of the pledge over LBCE shares and any resulting acquisition by CP Briks of equity interest in LBCE are always subject to the foreign ownership restrictions applicable to LBCE, which may not exceed 40% of the total issued and outstanding capital stock entitled to vote, and 40% of the total issued and outstanding capital stock whether or not entitled to vote, of LBCE.

Covenants

While the convertible instrument has not yet been redeemed or converted in full, the Parent Company shall ensure that neither it or its subsidiaries shall incur, create or permit to subsist or have outstanding indebtedness, as defined in the Omnibus Agreement, or enter into agreement or arrangement whereby it is entitled to incur, create or permit to subsist any indebtedness and that the Parent Company shall ensure, on a consolidated basis, that:

- a. Total Debt to EBITDA for any Relevant Period (12 months ending on the Parent Company's financial year) shall not exceed 2.5:1.
- b. The ratio of EBITDA to Finance Charges for any Relevant Period shall not be less than 5.0:1; and
- c. The ratio of Total Debt on each relevant date to Shareholder's Equity for that Relevant Period shall be no more than 1:1.

The determination and calculation of the foregoing financial ratios are based on the agreement and interpretation of relevant parties subject to the terms of the convertible instrument. The Group is in compliance with the above covenants as at December 31, 2020, the latest Relevant Period subsequent to the issuance of the convertible instrument. Relevant period means each period of twelve (12) months ending on the last day of the Parent Company's financial year.

In relation to the issuance of the convertible instrument and following the entry of CP Briks as a stakeholder in the Parent Company, the Parent Company entered into the following transactions:

- a. On August 4, 2017, LBCE and LBCDC agreed for LBCE to discontinue royalty for the use of LBC Marks (see Note 17).
- b. On various dates, the Parent Company entered into the following transactions for the acquisition of certain overseas entities:
 - i. Effective January 1, 2019, the Parent Company was granted the regulatory approvals on the purchase of the following entities under LBC USA Corporation:
 - LBC Mundial Corporation (LBC Mundial) which operates as a cargo and remittance Group in California. The Parent Company purchased 4,192,546 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
 - LBC Mabuhay North America Corporation (LBC North America) which operates as a cargo and remittance Parent Company in New Jersey. The Parent Company purchased 1,605,273 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
 - ii. Effective July 1, 2019, the Parent Company's purchase of LBC Mabuhay Hawaii Corporation, who operates as a cargo and remittance company in Hawaii, was completed upon the approval by the US regulatory bodies. The Parent Company purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation.
 - iii. On March 7, 2018, the Parent Company acquired 100% ownership of LBC Mabuhay Saipan, Inc. (LBC Saipan) for a total purchase price of US \$207,652 or ₱10.80 million.
 - iv. On June 27, 2018, the BOD of the Parent Company approved the purchase of shares of some overseas entities. The acquisition is expected to benefit the Parent Company by contributing to its global revenue streams. On the same date, the SPAs were executed by the Group and Jamal Limited, as follow:
 - LBC Aircargo (S) PTE. LTD. which operates as a cargo branch in Taiwan. The Parent Company purchased 94,901 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US \$146,013;

- LBC Money Transfer PTY Limited which operates as a remittance company in Australia. The Parent Company purchased 10 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US \$194,535;
 - LBC Express Airfreight (S) PTE. LTD. which operates as a cargo company in Singapore. The Parent Company purchased 10,000 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US \$2,415,035; and
 - LBC Australia PTY Limited which operates as a cargo company in Australia. The Parent Company purchased 223,500 shares or 100% of the total outstanding shares of the acquiree at a purchase price of US \$1,843,149.
- v. On August 15, 2018, the Parent Company approved the acquisition of 92.5% equity ownership of LBC Mabuhay (Malaysia) SDN BHD (LBC Malaysia) for a total purchase price of \$461,782 or P24.68 million.
- vi. On October 15, 2018, the Parent Company acquired the following overseas entities:
- LBC Mabuhay Remittance Sdn. Bhd. which operates as a remittance company in Brunei. The Parent Company purchased one (1) share which represents 50% equity interest at the subscription price of US \$557,804 per share.
 - LBC Mabuhay (B) SDN BHD which operates as a cargo company in Brunei. The Parent Company acquired 50% of LBC Mabuhay (B) SDN BHD for a total purchase price of US \$225,965.
- vii. The documentation requirements for the acquisition of the remaining overseas entity is still in process.

Upon completion of the acquisitions discussed in (i) to (vi) above, the Parent Company will have acquired equity interests in twelve overseas entities which are affiliated to the Parent Company and LBCDC. In accordance with the directions from LBCDC, the Parent Company intends to complete the acquisition of the remaining overseas entity in 2021, after which the Group expects (on the basis of LBCDC's manifestations) settlement by LBCDC of all of its obligations to the Parent Company, except for the assigned receivables from QUADX Inc. which will be settled based on agreed terms (see Note 18). As at report date, LBCDC has not settled its obligations to the Parent Company pending completion of acquisition of the remaining overseas entity.

If an event of default shall have occurred and be continuing, CP Briks may require the Parent Company to redeem all or any portion of the convertible instrument, provided that CP Briks provides written notice to the Parent Company within the applicable period. Each portion of the convertible instrument subject to redemption shall be redeemed by the Parent Company at price equal to 100% of the conversion amount plus an internal rate of return (IRR) equal to 16% (inclusive of applicable tax, which shall be for the account of CP Briks).

During the shareholders' meeting held last August 9, 2021, the shareholders approved the issuance of common shares upon exercise of conversion rights. Considering that the Parent Company has no unconditional right to defer payment for more than twelve months after balance sheet date, the convertible instrument was classified from non-current liability to current liability. The prior year reclassification has no impact to the consolidated statements of comprehensive income, total assets, total liabilities and cash flows for the year ended December 31, 2020.

16. Equity

Capital stock

As of September 30, 2021 and December 31, 2020, the details of the Parent Company's common shares follow:

	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders as of yearend
At January 1, 2015	40,899,000	₱1/share		
			July 22, October 16 and October 21, 2015	
Add: Additional issuance	1,384,966,471	₱1/share		
December 31, 2015	1,425,865,471			485
Add: Movement	—			—
December 31, 2016	1,425,865,471			485
Add: Movement	—			1
December 31, 2017	1,425,865,471			486
Add: Movement	—			1
December 31, 2018	1,425,865,471			487
Add: Movement	—			—
December 31, 2019	1,425,865,471			487
Add: Movement	—			—
December 31, 2020	1,425,865,471			487
Add: Movement	—			—
September 30, 2021	1,425,865,471			487

Retained earnings

The unappropriated retained earnings include accumulated equity in undistributed net earnings of the consolidated subsidiaries amounted to ₱1,782.83 million and ₱1,563.00 million as of September 30, 2021 and December 31, 2020, respectively. These are not available for dividend declaration until declared by the BOD of the respective subsidiaries.

In accordance with the Revised Securities Regulation Code Rule 68, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 amounted to ₱76.86 million (nil as of September 2021).

Cash dividends

On October 19, 2020, the BOD of LBCH approved the declaration of cash dividends of amounting to ₱285.17 million.

On October 27, 2020, the BOD of LBC Mabuhay Remittance Sdn Bhd declared cash dividends of BND300,000 (P10.74 million). The related noncontrolling interest amounting to BND150,000 (P5.38 million) is presented in the 2020 annual consolidated statement of changes in equity.

On November 5, 2020, the BOD of LBC Express Shipping Company WLL (Kuwait) declared cash dividends of KWD 800 per common share held by stockholders. The related noncontrolling interest amounting to P6.51 million is presented in the 2020 annual consolidated statement of changes in equity.

On November 15, 2020, the BOD of LBC Mabuhay (Malaysia) Sdn Bhd declared cash dividends of P20.18 million (MYR1,700,000). The related noncontrolling interest amounting to P1.75 million (MYR127,503) is presented in the 2020 annual consolidated statement of changes in equity.

Accumulated comprehensive loss

Details of accumulated comprehensive loss as follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Remeasurement gain on retirement benefit plan, net of tax	P140,403,560	P129,541,136
Unrealized fair value gain on investment at FVOCI (Note 9)	(63,199,886)	(31,990,274)
Share in other comprehensive (loss) income of an associate (Note 10)	(2,964,979)	224,659
Currency translation loss	(84,301,975)	(109,641,068)
	(10,063,280)	(11,865,547)
Accumulated comprehensive loss attributable to:		
Controlling interest	(P2,040,281)	(P4,063,817)
Non-controlling interest	(P8,022,999)	(P7,801,730)

17. Related Party Transactions

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent, LBCDC, affiliates and its associate. Affiliates include those entities in which the owners of the Group have ownership interests. These transactions include delivery, service and management fees and loans and cash advances. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances for the nine months ended September 30, 2021 and for the year ended December 31, 2020 are as follows:

	Transaction amounts for the nine months ended September 30, 2021 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2021 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	P48,529,151	P346,196,670	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	(P363,868)	P1,018,689,920	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates - under common control</i>				
b.) Advances	51,525,322	64,735,936	Noninterest-bearing; due and demandable	Unsecured, no impairment
g.) Notes receivable current portion	–	4,054,103	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<i>Beneficial Owners</i>				
b.) Advances	P–	P37,709,077	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Associate</i>				
h.) Dividends	P25,500,000	P12,750,000	Noninterest-bearing; due and demandable	Unsecured, no impairment
		P1,137,939,036		
<u>Due from related parties (Other noncurrent assets)</u>				
<i>Affiliates - under common control</i>				
g.) Notes receivable non current portion (Note 6)	P–	19,147,013	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 12)	P–	(P136,430)	Noninterest-bearing; due and demandable	Unsecured
<i>Associate</i>				
e.) Sea freight and brokerage (Note 12)	268,349,977	(1,085,124)	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
d.) Guarantee fee (Note 14)	2,976,191	–	Noninterest-bearing; due and demandable	Unsecured
		(P1,221,554)		

	Transaction amounts for the nine months ended September 30, 2021 (Unaudited)	Outstanding receivable (payable) balance as at September 30, 2021 (Unaudited)	Terms	Conditions
<u>Due to related parties (Non-trade payables)</u>				
<i>Affiliate - under common control</i>				
b.) Advances	P45,119,975	(P39,317,188)	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
b.) Advances	—	(438,235)	Noninterest-bearing; due and demandable	Unsecured
		(P39,755,423)		
<u>Due to a related party (Transmission Liability)</u>				
<i>Affiliate - under common control</i>				
a.) Money remittance payable (Note 13)	P2,120,302	(P3,199,254)	Noninterest-bearing; due and demandable	Unsecured
	Transactions for the nine months ended September 30, 2020	Receivable (Payable) as at December 31, 2020	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates - under common control</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 5 and 25)	P58,455,274	P338,853,930	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	P19,063,063	P1,018,793,934	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates - under common control</i>				
b.) Advances	37,398,663	54,889,024	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Beneficial Owners</i>				
b.) Advances	14,954, 815	37,709,077	Noninterest-bearing; due and demandable	Unsecured, no impairment
g.) Notes receivable current portion	—	3,781,976	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<i>Associate</i>				
h.) Dividend receivable	P21,000,000	P—	Noninterest-bearing; due and demandable	Unsecured, no impairment
		P1,115,174,011		
<u>Due from related parties (Other noncurrent assets)</u>				
<i>Affiliates - under common control</i>				
g.) Other noncurrent assets	P—	P21,342,954	Interest-bearing; fixed monthly payment	Unsecured, no impairment
<u>Due from related parties (Advances for future investments in shares)</u>				
<i>Affiliates - under common control</i>				
f.) Advances for future investments in shares	P1,081,701	P—	Noninterest-bearing; for settlement of the subscription of shares	Unsecured, no impairment

	Transactions for the nine months ended September 30, 2020	Receivable (Payable) as at December 31, 2020	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 12)	P–	(P131,132)	Noninterest-bearing; due and demandable	Unsecured
<i>Associate</i>				
e.) Sea freight and brokerage (Note 12)	298,624,023	(25,367,433)	Noninterest-bearing; due and demandable	Unsecured
d.) Guarantee fee (Note 14)	5,357,143	–	Noninterest-bearing; due and demandable	Unsecured
		(P25,498,565)		
<u>Due to a related party (Non-trade payables)</u>				
<i>Affiliates - under common control</i>				
b.) Advances	P21,605,641	(P39,790,868)	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
b.) Advances	–	(422,342)	Noninterest-bearing; due and demandable	Unsecured
		(P40,213,210)		
<u>Due to a related party (Transmissions liability)</u>				
<i>Affiliates - under common control</i>				
a.) Money remittance payable (Note 13)	P80,869,837	(P1,191,967)	Noninterest-bearing; due and demandable	Unsecured

Compensation of Key Management Personnel:

	For the Nine months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
Salaries and wages	P63,853,951	P62,526,942
Retirement benefits	7,391,422	6,616,270
Other short-term employee benefits	17,167,006	16,747,397
	P88,412,379	P85,890,609

- a. In the normal course of business, the Group fulfills the delivery of balikbayan boxes, fulfillment of money remittances and performs certain administrative functions on behalf of its affiliates. The Group charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

The Group charged penalties by its affiliate for the Group's failure to meet the maximum period of delivery as contained in the service level agreement. Total claims and losses recognized for the nine months ended September 30, 2021 amounting to P0.57 million (nil for September 2020), is shown as a reduction in 'Service fees'. Outstanding payable for these penalties amounting to P2.54 million and P1.93 million as of September 30, 2021 and December 31, 2020.

The Group regularly makes advances to and from related parties to finance working capital requirements and as part of their cost reimbursements arrangement. These unsecured advances are non-interest bearing and payable on demand.

In prior years, the Group has outstanding advances of ₱295.00 million to LBC Development Bank, an entity under common control of LBCDC. In 2011, management assessed that these advances are not recoverable. Accordingly, the said asset was written-off from the books in 2011 (see Note 29).

On May 29, 2019, LBCH sold all its 1,860,214 common shares in QUADX Inc. to LBCE for ₱186,021,400 or ₱100 per share payable no later than two years from the execution of deed of absolute sale of share, subject to any extension as may be agreed in writing by the parties.

On July 1, 2019, LBCE sold all its QUADX shares to LBCDC for ₱186.02 million, payable no later than two years from the date of sale, subject to any extension as may be agreed in writing by the parties. On the same date, LBCE, LBCDC and QUADX Inc. entered into a Deed of Assignment of Receivables whereas LBCE agreed to assign, transfer and convey its receivables from QUADX as of March 31, 2019 amounting to ₱832.64 million to LBCDC which shall be paid in full, from time to time starting July 1, 2019 and no later than two years from the date of the execution of the Deed, subject to any extension as may be agreed in writing by LBCE and LBCDC. There is no extension of the said repayment that has been agreed to date.

On September 12, 2019, the BOD of LBCH declared cash dividends amounting to ₱356.47 million. On November 4, 2019, through a Memorandum of Agreement, LBCDC assigned to LBCH a portion of its payable to LBCE amounting to ₱263.92 million. The same amount was offset against the dividends payable of LBCE to LBCH.

Furthermore, upon completion of the acquisition of the remaining entity, as disclosed in Note 15, LBCH expects settlement by LBCDC of all of its obligations to LBCH, except for the assigned receivables from QUADX Inc. which will be settled based on abovementioned agreed terms.

- b. Starting 2007, LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines in consideration for a continuing royalty rate of two point five percent (2.5%) of the Company's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax. Such licensing agreement was amended on August 4, 2017 and was subsequently discontinued effective September 4, 2017 in recognition of the Group's own contribution to the value and goodwill of the trademark.
- c. As discussed in Note 14, the Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the face value of loan and until said properties are released by the bank as loan collateral. The guarantee fee is reported as part of interest expense in the interim consolidated statements of comprehensive income amounting to ₱2.98 million and ₱5.36 million for the nine months ended September 30, 2021 and 2020, respectively.

In June 2021, the term was extended up to October 2021.

On April 15, 2021, the Board of Directors of LBCH approved to guarantee the loan and allowed to hold out its time deposit. Such guarantee shall substitute the existing real estate mortgage on the affiliate's real estate properties as security.

- d. In the normal course of business, LBCE acquires services from OFII which include sea freight and brokerage mainly for the cargoes coming from international origins. These expenses are billed to the origins at cost.
- e. In 2019, LBCE subscribed 20,000,000 Preferred A shares and 29,436,968 Preferred B Shares of Terra Barbaza Aviation, Inc. (TBAI) amounting to ₱78.73 million. The Preferred A Shares will be issued upon conversion of the 20,000,000 Common Shares in TBAI arising from the 20,001,250 Common Shares purchased by LBCE from a common shareholder in January 2020. In February 2020, LBCE paid incidental costs related to purchase of the above stocks amounting to ₱1.08 million.

On December 17, 2020, TBAI's application of its authorized capital stock for Preferred A and B Shares was approved by the SEC. The approval resulted to the conversion of the 20,000,000 Common Shares purchased by LBCE from the common shareholder to 20,000,000 non-voting Preferred A Shares and 1,250 Common Shares will then represent 24.787% of the total outstanding Common Shares.

- f. In November 2011, LBC Mundial Corporation paid-off LBC Express Holdings USA Corporation's outstanding mortgage loan which is consolidated into a long-term promissory note amounting to US\$1,105,148 at 4% interest, payable in 180 equal monthly installments. As of September 30, 2021, total outstanding notes receivable amounted to ₱23.2 million, ₱4.05 million of which is presented as current under 'Due from Related Parties'. Interest income earned from notes receivable amounted to ₱0.61 million and ₱0.87 million for the nine-months ended September 30, 2021 and 2020, respectively.
- g. On May 12, 2021, the BOD of OFII declared cash dividends amounting to ₱85.00 million, ₱25.50 million of which is the share of LBCH. As of September 30, 2021, the outstanding amount of dividends receivable is ₱12.75 million. On July 16, 2020, LBCH recognized cash dividend from OFII amounting to ₱21.00 million and received initial payment of ₱10.50 million on August 28, 2020.

Aside from required approval of related party transactions explicitly stated in the Corporation Code, the Group has established its own related party transaction policy stating that any related party transaction involving amount or value greater than 10% of the Group's total consolidated assets are deemed 'Material Related Party Transactions'. Such transactions shall be reviewed by the Related Party Transaction Committee (RPTC) prior to its endorsement for the Board's Approval. Moreover, any related party transaction involving less than 10% of the Group's total consolidated assets will be submitted to the President and CEO for review.

18. Cost of Services

This account consists of:

	For the Nine months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
Cost of delivery and remittance	P4,105,472,206	P2,693,516,122
Salaries wages and employee benefits	2,655,285,903	2,421,171,767
Depreciation and amortization (Notes 7, 8 and 21)	1,045,125,734	901,416,226
Utilities and supplies	995,950,513	830,726,002
Rent (Note 21)	210,280,550	212,377,464
Repairs and maintenance	139,102,972	94,990,174
Transportation and travel	94,203,985	78,071,568
Retirement benefit expense	66,232,810	62,086,908
Insurance	52,016,761	47,782,922
Others	63,225,780	41,783,253
	P9,426,897,214	P7,383,922,406

Others include platform subscription, bank fees and software maintenance expenses of subsidiaries involved in online logistics.

19. Operating Expenses and Foreign Exchange Gains - net

Operating expenses consist of:

	For the Nine months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
Salaries wages and employee benefits	P457,847,670	P447,130,349
Utilities and supplies	245,783,764	177,422,550
Professional fees	198,748,005	222,545,566
Advertising and promotion	184,885,559	271,397,766
Taxes and licenses	186,889,064	152,870,934
Commission expense	183,440,115	126,104,751
Travel and representation	160,330,268	164,119,518
Depreciation and amortization (Notes 7, 8 and 21)	130,763,773	141,341,874
Dues and subscriptions	92,376,978	79,567,713
Software maintenance costs	62,266,544	42,007,652
Donations	38,921,222	55,065,079
Losses	27,706,529	16,478,932
Provision for expected credit losses (Note 5)	20,650,745	66,960,612
Retirement benefit expense	21,247,402	23,897,461
Insurance	17,354,986	17,642,339
Rent (Note 21)	15,361,715	17,415,607
Royalty	4,596,740	-
Repairs and maintenance	4,316,833	3,532,076
Others	25,751,302	15,210,570
	P2,079,239,214	P2,040,711,349

Others comprise mainly of bank and finance charges, penalties and other administrative expenses.

Foreign exchange gains (loss) - net arises from the following:

	For the Nine months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
Cash and cash equivalents	P141,390,970	(P32,629,172)
Bond payable	(90,707,387)	60,912,775
Advances to affiliate - net	(7,228,299)	(1,846,352)
Trade payables	(5,045,236)	2,409,216
Equity investments at FVPL	780,600	(608,618)
	P39,190,648	P28,237,849

20. Income Taxes

Provision for income tax consists of:

	For the Nine months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
Current	P32,644,678	P77,557,121
Deferred	80,297,278	(75,393,242)
	P112,941,956	P2,163,879

Details of the Group's deferred income tax assets - net as of September 30, 2021 and December 31, 2020 follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred tax assets arising from:		
Retirement benefit liability	P182,350,946	P226,837,523
Allowance for impairment losses	54,482,410	60,258,723
Accrued employee benefits	49,725,246	47,956,855
Lease liabilities	50,487,925	53,408,435
MCIT	18,791,471	–
Contract liabilities	10,007,391	26,017,598
Accelerated depreciation charged to retained earnings	9,238,951	10,914,695
NOLCO	3,139,622	–
Unrealized foreign exchange losses	(1,749,373)	2,822,872
Others	13,197,660	15,344,284
	P389,672,249	P443,560,985

As of September 30, 2021, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax liabilities, respectively.

Details of the Group's deferred tax liabilities are as follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Unrealized foreign exchange gains	(P15,357,026)	(P20,053,072)
Others	(1,274,115)	(1,933,656)
	(P16,631,141)	(P21,986,728)

21. Lease Commitments

The following are the lease agreements entered into by the Group:

1. Lease agreements covering its current corporate office spaces, both for a period of five years from September 1, 2018 and from January 1, 2019. The lease agreements are renewable upon mutual agreement with the lessor and includes rental rate escalations during the term of the lease.
2. Lease agreements covering various service centers and service points within the Philippines for a period of one (1) to eight (8) years except for one (1) warehouse which has a lease term of twenty (20) years renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.
3. Lease agreement with a local bank covering transportation equipment for a period of three to five years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

(a) Right-of-use assets and related lease liabilities

The amounts recognized in the consolidated statement of financial position and consolidated statement of comprehensive income follow:

Right-of use assets as of September 30, 2021 and December 31, 2020:

	For the period ended September 30, 2021 (Unaudited)			
	Right-of-use assets			Total
	Office and Warehouses	Vehicles	Computer Equipment	
Costs				
Balances at beginning of period	₱3,227,923,065	₱168,732,629	₱31,545,380	₱3,428,201,074
Additions	919,992,556	29,252,687	20,424,354	969,669,597
End of contracts	(274,608,941)	(2,524,107)	—	(277,133,048)
Effect of changes in foreign currency exchange rates	10,542,835	753,339	397,253	11,693,427
Balances at end of period	₱3,883,849,515	₱196,214,548	₱52,366,987	₱4,132,431,050
Accumulated amortization				
Balances at beginning of period	₱1,162,097,555	₱ 55,584,119	₱12,621,458	₱1,230,303,132
Amortization (Notes 19 and 20)	724,853,589	31,947,306	9,158,147	765,959,042
End of contracts	(260,478,701)	(1,025,645)	—	(261,504,346)
Effect of changes in foreign currency exchange rates	11,164,170	458,521	572,603	12,195,294
Balances at end of period	1,637,636,613	86,964,301	22,352,208	1,746,953,122
Net book value	₱2,246,212,902	₱109,250,247	₱30,014,779	₱2,385,477,928

	For the year ended December 31, 2020 (Audited)			
	Right-of-use assets			Total
	Office and Warehouses	Vehicles	Computer Equipment	
Costs				
Balances at beginning of year	₱2,411,268,975	₱130,806,818	₱61,353,144	₱2,603,428,937
Additions	1,098,597,888	49,558,928	—	1,148,156,816
Lease modification	(8,368,420)	—	—	(8,368,420)
End of contracts	(267,997,100)	(10,433,254)	(27,939,577)	(306,369,931)
Effect of changes in foreign currency exchange rates	(5,578,278)	(1,199,863)	(1,868,187)	(8,646,328)
Balances at end of year	3,227,923,065	168,732,629	31,545,380	3,428,201,074
Accumulated amortization				
Balances at beginning of year	₱658,232,882	₱28,985,675	₱30,380,308	₱717,598,865
Amortization (Notes 19 and 20)	769,678,671	37,459,591	10,886,096	818,024,358
End of contracts	(267,997,100)	(10,433,254)	(27,939,577)	(306,369,931)
Effect of changes in foreign currency exchange rates	2,183,102	(427,893)	(705,369)	1,049,840
Balances at end of year	1,162,097,555	55,584,119	12,621,458	1,230,303,132
Net book value	₱2,065,825,510	₱113,148,510	₱18,923,922	₱2,197,897,942

Amortization of right-of-use assets recorded in the consolidated statement of comprehensive income is net of the recognized effect of waived rentals for COVID-19 related rent concessions amounting to ₱18.96 million.

Lease modification pertain to contract with the lessor with revised terms effective 2020 and moving forward.

End of contracts pertain to lease agreements which reached the end of the lease terms. These were subsequently renewed as short-term leases.

(b) Lease liabilities

	Lease Liabilities	
	September 30,	December 31, 2020
	2021	
	(Unaudited)	(Audited)
Balance at beginning of the period	₱2,368,334,313	₱2,001,745,651
Additions	969,669,597	1,156,748,898
Lease modification	(15,628,702)	(16,960,501)
Rent concessions	(18,961,269)	(27,728,283)
Payments of principal	(738,461,630)	(736,825,124)
Payments of interest	(102,416,854)	(138,386,631)
Accretion of interest	102,416,854	138,386,631
Effect of changes in foreign currency exchange rates	6,898,074	(8,646,328)
Balance at end of period	2,571,850,383	2,368,334,313
Less: current portion	958,441,563	816,980,388
Noncurrent portion	₱1,613,408,820	₱1,551,353,925

In 2020, the Group recognized gain on remeasurement of lease liability amounting to ₱8.59 million arising from the remeasurement of one of the Group's lease contracts.

The Group recognized rent expense from short-term leases of ₱204.38 million and ₱219.87million for the nine months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021, the amortization expense recognized under cost of services and operating expenses in the statement of comprehensive income amounted to ₱698.67 million and ₱48.33 million, respectively. For the nine months ended September 30, 2020, the amortization expense recognized under cost of services and operating expenses in the statement of comprehensive income amounted to ₱537.46 million and ₱46.67 million, respectively

Interest expense arising from the accretion of lease liability amounted to ₱102.42 million and ₱96.50 million for the nine months ended September 30, 2021 and 2020, respectively, recognized under 'Other income (charges)' in the consolidated statement of comprehensive income.

The following summarizes the maturity profile of the Group's undiscounted lease payments:

	September 30	December 31
	2021	2020
	(Unaudited)	(Audited)
Less than 1 year	₱958,441,563	₱816,980,388
More than 1 year to 2 years	801,555,007	741,736,730
More than 2 years to 3 years	479,806,236	522,093,223
More than 3 years to 4 years	315,764,916	292,689,341
More than 5 years	228,356,887	432,368,369
	₱2,783,924,609	₱2,805,868,051

(c) Rent Expenses

The rent expenses recognized under cost of services and operating expenses in the consolidated statement of comprehensive income are considered short-term leases or leases of low value assets where the short-term lease recognition exemption is applied.

	For the Nine months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
Cost of services (Note 18)	P210,280,550	P212,377,464
Operating expenses (Note 19)	15,361,715	17,415,607
	P225,642,265	P229,793,071

The Group has security deposits arising from the lease agreements amounting to P394.96 million and P359.63 million as at September 30, 2021 and December 31, 2020, respectively.

22. Retirement Benefits

The components of liability recognized in the interim consolidated statements of financial position for the existing retirement plan follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Present value of defined benefit obligation	P1,124,003,984	P1,039,451,327
Fair value of plan assets	(377,712,981)	(274,565,648)
	P746,291,003	P764,885,679

The Group has no existing transaction either directly or indirectly with its employees' retirement benefit fund.

The pension cost for the interim periods and the present value of the defined benefit obligation as at September 30, 2021 and 2020 were calculated by prorating the 2021 projected retirement expense and by extrapolating the latest actuarial valuation report for the year ended December 31, 2020, respectively.

23. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, restricted cash, trade and other receivables (excluding advances to officers and employees), due from related parties, financial assets at FVPL, financial assets at FVOCI, short-term investments under other current assets, loan receivable and notes receivable.

The Group's financial liabilities comprise of accounts and other payables (excluding statutory liabilities, accrued taxes and contract liabilities), due to related parties, notes payable, transmissions liability, lease liabilities, dividends payable, bonds payable, derivative liability and other noncurrent liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

Price risk

The Group closely monitors the prices of its equity securities as well as macroeconomic and entity-specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Group readily disposes or trades the securities for replacement with more viable and less risky investments.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

The following table shows the effect on comprehensive income should the change in the close share price of quoted equity securities accounted for as FVOCI occur as at September 30, 2021 and 2020 with all other variables held constant.

	Effect on comprehensive income	
	September 30, 2021	September 30, 2020
	(Unaudited)	(Unaudited)
Change in share price		
Increase by 5%	₱10,045,594	₱9,655,474
Decrease by 5%	(10,045,594)	(9,655,474)
Change in NAV		
Increase by 5%	₱786,788	₱752,642
Decrease by 5%	(786,788)	(752,642)

The Group is also exposed to equity price risk in the fair value of the derivative liability due to the embedded equity conversion feature. Furthermore, at a given point in time in the future until maturity date, the derivative liability has a redemption option offering a minimum return in case the value of the conversion feature is low. The impact of the changes in share price in the valuation is minimal.

Interest rate risk and credit spread sensitivity analysis

Except for the credit spread used in the valuation of the convertible redeemable bond, the Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable are fixed and none of the Group's financial assets and liabilities carried at fair value are sensitive to interest rate fluctuations. Further, the impact of fluctuation on interest rates on the Group's finance leases will not significantly impact the results of operations.

The value of the Group's convertible redeemable bond is driven primarily by two risk factors: underlying stock prices and interest rates. Interest rates are driven by using risk-free rate, which is a market observable input, and credit spread, which is not based on observable market data. The following table demonstrates the sensitivity to a reasonably possible change in credit spread, with all other variables held constant, on the fair value of the Group's embedded conversion option of the convertible redeemable bond.

	Effect in fair value as of	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Credit spread		
+1%	P49,921,370	P54,515,429
-1%	(51,361,743)	(54,621,778)

Liquidity risk

Liquidity risk is the risk from inability to meet obligations when they become due, because of failure to liquidate assets or obtain adequate funding. The Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory capital requirements.

The Group has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management believes that cash generated from operations is sufficient to meet daily working capital requirements.

Surplus cash is invested into a range of short-dated money time deposits, which seek to ensure the security and liquidity of investment while optimizing yield.

The Group expects to generate cash flows from its operating activities mainly on sale of services. The Group also has sufficient cash and adequate amount of credit facilities with banks to meet any unexpected obligations.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of financial assets and financial liabilities will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities when revenue or expenses are denominated in a different currency from the Parent Company and its subsidiaries' functional currencies.

The Group operates internationally through its various international affiliates by fulfilling the money remittance and cargo delivery services of these related parties. This exposes the Group to foreign exchange risk primarily with respect to Euro (EUR), Hongkong Dollar (HKD), Australian dollar (AUD), US Dollar (USD) and Japanese Yen (JPY). Foreign exchange risk arises from future commercial transactions, foreign currency denominated assets and liabilities and net investments in foreign operations.

The Group enters into short-term foreign currency forwards, if needed, to manage its foreign currency risk from foreign currency denominated transactions.

Information on the Group's foreign currency-denominated monetary assets and liability recorded under cash and cash equivalents, due from related parties and bonds payable in the interim condensed consolidated statements of financial position and their Philippine Peso equivalents follow:

	September 30, 2021 (Unaudited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,360,535	₱198,305,170
Hongkong Dollar	26,424,477	169,909,387
Australian Dollar	143,074	5,222,201
US Dollars	34,090,798	1,737,267,066
Liabilities:		
US Dollars	(32,293,221)	(1,645,662,542)
<i>The translation exchange rates used were ₱59.01 to EUR 1, ₱6.43 to HKD 1, ₱36.50 to AUD 1, ₱50.96 to USD 1, ₱0.46 to JPY 1 ₱39.71 to CAD 1 in 2021.</i>		

	December 31, 2020 (Audited)	
	Foreign currency	Peso equivalent
Assets:		
Euro	3,444,953	₱197,464,706
Hongkong Dollar	25,086,252	155,785,625
US Dollars	30,700,191	1,474,530,174
Japanese yen	15,897,870	7,313,020
Liabilities:		
US Dollars	(28,815,241)	(1,383,996,025)
<i>The translation exchange rates used were ₱57.32 to EUR 1, ₱6.21 to HKD 1, ₱48.03 to USD 1, ₱0.46 to JPY 1 in 2020.</i>		

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities - net position) as at September 30, 2021 and December 31, 2020.

	Increase (decrease) in income before tax	
	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Reasonably possible change in foreign exchange rate for every two units of Philippine Peso		
₱2	₱63,451,326	(₱92,628,050)
(2)	63,451,326	92,628,050

There is no impact on the Group's equity other than those already affecting profit or loss and other comprehensive income. The movement in sensitivity analysis is derived from current observations on fluctuations in foreign currency exchange rates.

The Group recognized ₱39.19 million and ₱28.24 million foreign exchange gains - net, for the nine months ended September 30, 2021 and 2020, respectively, arising from settled transactions and translation of the Group's cash and cash equivalents, equity investments at FVPL, due from related parties, trade payables and bond payable (see Note 19).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

The maximum credit risk exposure of the Group's financial assets is equal to the carrying amounts in the consolidated statements of financial position.

There are no collaterals held as security or other credit enhancements attached to the Group's financial assets.

The aging analyses of Group's receivables as of September 30, 2021 and as of December 31, 2020 follow:

		September 30, 2021 (Unaudited)			
Current		Past due			Total
		1 to 30 days	31 to 90 days	Over 90 days	
Trade and other receivables	₱1,824,645,324	₱86,284,889	₱17,233,682	₱207,341,492	₱2,135,505,387

		December 31, 2020 (Audited)			
Current		Past Due			Total
		1 to 30 days	31 to 90 days	Over 90 days	
Trade and other receivables	₱1,784,493,528	₱21,156,330	₱14,029,655	₱326,652,037	₱2,146,331,550

Capital Management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide shareholder returns and to maintain an optimal capital structure to reduce the cost of capital and thus, increase the value of shareholder investment.

In order to maintain a healthy capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. Management has assessed that the Group is self-sufficient based on historical and current operating results.

The capital that the Group manages is equal to the total equity as shown in the interim condensed consolidated statements of financial position as at September 30, 2021 and December 31, 2020 amounting to ₱3,229.87 million and ₱2,971.11 million, respectively.

24. Fair Values

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

The carrying amounts of cash and cash equivalents, trade and other receivables (excluding advances to officer and employees), due from/to related parties, short-term cash investments, restricted cash in bank, notes receivable, loans receivable, accounts and other payables (excluding statutory payables), dividends payable, transmissions liability, and the current portion of notes payable and lease liabilities approximate their fair value because these financial instruments are relatively short-term in nature.

The fair value of equity financial assets at FVOCI is the current published closing price while the financial assets at FVPL is based on the net asset value per unit as of reporting date as provided by the fund manager.

The estimated fair value of the derivative liability as at September 30, 2021 and December 31, 2020 is based on an indirect method of valuing multiple embedded derivatives. This valuation technique uses binomial pyramid model using stock prices and stock price volatility. This valuation method compares the fair value of the option-free instrument against the fair value of the hybrid convertible instrument. The difference of the fair values is assigned as the value of the embedded derivatives.

The unobservable input in the fair value is the stock price volatility of 24.07% for the nine months ended September 30, 2021 and 24.65% for the twelve months ended December 31, 2020. A 5% increase (5% decrease) in the stock price volatility would not materially affect the fair value of the derivative liability.

As of September 30, 2021, the plain bond is determined by discounting the cash flow, which is simply the principal at maturity, using a discount rate of 14.37%. The discount rate is composed of the matched to maturity risk free rate and the option adjusted spread (OAS) of 12%.

The fair value of the long-term portion of lease liabilities as at September 30, 2021 and December 31, 2020 is based on the discounted value of future cash flow using applicable interest rates ranging from 2.10% to 3.24% and from 1.66% to 2.63%, respectively.

The estimated fair value of long-term portion of notes payable as at September 30, 2021 and December 31, 2020 is based on the discounted value of future cash flow using applicable rates ranging from 1.64% to 3.18% and 1.85% to 2.93%, respectively.

The estimated fair value of other noncurrent liabilities as at September 30, 2021 and December 31, 2020 is based on the discounted value of future cash flow using applicable rate of 1.66% to 2.22% and 1.83% to 2.08%, respectively.

The discounting used Level 3 inputs such as projected cash flows, discount rates and other market data except for the fair values of financial assets at FVOCI and FVPL which are classified as Level 1 and Level 2, respectively.

The quantitative disclosures on fair value measurement hierarchy for assets and liabilities as at September 30, 2021 and December 31, 2020 follow:

	September 30, 2021 (Unaudited)				
	Fair value measurements using				
	Quoted prices in active markets for identical assets (Level 1)				
	Carrying values	Total	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
FVOCI	P200,911,876	P200,911,876	P200,911,876	P-	P-
FVPL	15,735,766	15,735,766	-	15,735,766	-
Liability measured at fair value					
Derivative liability	2,302,679,805	2,302,679,805	-	-	2,302,679,805
Liabilities for which fair value are disclosed					
Bond payable	1,640,533,811	1,780,127,162	-	-	1,780,127,162
Noncurrent lease liabilities	1,613,408,820	1,825,483,046	-	-	1,825,483,046
Long-term notes payable	582,608,246	583,546,901	-	-	583,546,901
Other noncurrent liabilities	4,642,039	4,280,526	-	-	4,280,526

December 31, 2020					
	Carrying values	Total	Fair value measurements using		
			Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
FVOCI	P232,121,488	P232,121,488	P232,121,488	P–	P–
FVPL	14,942,602	14,942,602	–	14,942,602	–
Liability measured at fair value					
Derivative liability	2,099,785,841	2,099,785,841	–	–	2,099,785,841
Liabilities for which fair value are disclosed					
Bond payable	1,377,723,388	1,544,078,995	–	–	1,544,078,995
Long-term notes payable	779,711,006	819,259,138	–	–	819,259,138
Noncurrent lease liabilities	1,551,353,925	1,988,887,663	–	–	1,988,887,663
Other noncurrent liabilities	17,447,095	19,666,795	–	–	19,666,795

During the nine months ended September 30, 2021 and year ended December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

25. Segment Reporting

Management has determined the operating segments based on the information reviewed by the executive committee for purposes of allocating resources and assessing performance.

The Group's two main operating segments comprise of logistics and money transfer services. The executive committee considers the business from product perspective.

The Group's logistics products are geared toward both retail and corporate clients. The main services offered under the Group's logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport).

Money transfer services comprise of remittance services (including branch retail services, prepaid remittance cards and online and mobile remit) and bills payment collection and corporate remittance payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

The Group only reports revenue line item for this segmentation. Assets and liabilities and cost and expenses are shared together by these two segments and, as such, cannot be reliably separated.

The Group has no significant customer which contributes 10% or more to the revenue of the Group.

Set below is the disaggregation of the Group's revenue from contracts with customers:

For the Nine months ended September 30, 2021			
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	P9,469,721,091	P411,632,708	P9,881,353,799
Corporate	2,407,246,753	28,634,832	2,435,881,585
Total revenue from contracts with customer	P11,876,967,844	P440,267,540	P12,317,235,384
Geographic Markets			
Domestic	P7,748,617,320	P200,967,097	P7,949,584,417
Overseas	4,128,350,524	239,300,443	4,367,650,967
Total revenue from contracts with customer	P11,876,967,844	P440,267,540	P12,317,235,384

For the Nine months ended September 30, 2020			
Segments	Logistics	Money transfer services	Total
Type of Customer			
Retail	P7,091,726,990	P403,141,692	P7,494,868,682
Corporate	2,107,665,484	28,627,128	2,136,292,612
Total revenue from contracts with customer	P9,199,392,474	P431,768,820	P9,631,161,294
Geographic Markets			
Domestic	P6,448,562,874	P242,570,925	P6,691,133,799
Overseas	2,750,829,600	189,197,895	2,940,027,495
Total revenue from contracts with customer	P9,199,392,474	P431,768,820	P9,631,161,294

The Group disaggregates its revenue information in the same manner as it reports its segment information.

The revenue of the Group consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to P48.53 million and P58.46 million for the nine months ended September 30, 2021 and 2020, respectively (see Note 17).

Seasonality of Operations

The Group's operation tends to experience increased volume in remittance transmission as well as cargo throughout the second quarter and fourth quarter of the year, particularly during the start of the school year and during the Christmas holiday season.

26. Basic/Diluted Earnings (Loss) Per Share

The following table presents information necessary to calculate earnings per share (EPS) on net income attributable to owners of the Parent Company:

Basic Earnings per Share:

	For the Nine months Ended September 30,	
	2021 (Unaudited)	2020 (Unaudited)
Net income (loss) attributable to shareholder of the Parent Company	P246,343,074	(P53,230,112)
Weighted average number of common shares outstanding	1,425,865,471	1,425,865,471
Basic EPS	P0.17	(P0.04)

In 2021 and 2020, the Parent Company did not consider the effect of the assumed conversion of convertible debt since these are anti-dilutive. As such, for the nine months ended September 30, 2021 and 2019, the diluted EPS presented in the interim condensed consolidated statements of comprehensive income is the same value as basic EPS.

27. Notes to Consolidated Statement of Cash Flows

For the nine months ended September 30, 2021, the Group has the following non-cash transaction under:

Investing Activities

- a. Unpaid acquisition of property and equipment amounting to P7.97 million.
- a. Offsetting of loans receivable and interest receivable against royalty fee recorded under ‘accounts and other payables’ (see Note 11) amounting to P4.60 million.

Financing Activities

	December 31, 2020 (Audited)	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	September 30, 2021 (Unaudited)
Notes payable	P1,879,726,639	(P116,709,387)	P–	P–	P–	P–	P1,763,017,252
Lease liabilities and other noncurrent liabilities	2,385,781,408	(751,266,686)	941,977,700	–	–	–	2,576,492,422
Convertible bond (bond and derivative liability)	3,477,509,229	–	–	172,103,036	90,707,387	202,893,964	3,943,213,616
Dividends payable	5,686,654	(5,686,654)	–	–	–	–	–
Interest payable	4,883,581	(165,816,484)	–	168,718,890	–	–	7,785,987
Due to related parties	40,213,210	(457,787)	–	–	–	–	39,755,423
Total liabilities from financing activities	P7,793,800,721	(P1,039,936,998)	P941,977,700	P340,821,926	P90,707,387	P202,893,964	P8,330,264,700

For the nine months ended September 30, 2020, the Group has the following non-cash transaction under:

Investing Activities

- b. Unpaid acquisition of property and equipment amounting to ₱6.58 million.
- c. Offsetting of loans receivable and interest receivable against royalty fee recorded under ‘accounts and other payables’ (see Note 11) amounting to ₱4.17 million.
- d. Decrease in due from related parties amounting to ₱1.08 million due to application of payment for advances for future investment in shares.

Financing Activities

	December 31, 2019	Cash Flows	Leasing arrangements	Interest	Foreign exchange movement	Fair value changes	September 30, 2020
Notes payable	₱929,722,222	₱946,049,992	₱—	₱—	₱—	₱—	₱1,875,772,214
Lease liabilities and other noncurrent liabilities	2,041,533,590	(557,567,369)	690,210,326	—	—	—	2,174,176,547
Convertible bond (bond and derivative liability)	3,295,702,619	—	—	148,629,226	(60,912,775)	4,966,031	3,388,385,101
Dividends payable	14,775,250	(14,775,250)	—	—	—	—	—
Interest payable	3,031,235	(172,390,367)	—	175,813,165	—	—	6,454,033
Due to related parties	33,611,365	8,779,942	—	—	(2,163,657)	—	40,227,650
Total liabilities from financing activities	₱6,318,376,281	₱210,096,948	₱690,210,326	₱324,442,391	(₱63,076,432)	₱4,966,031	₱7,485,015,545

28. Other Matters

Closure of LBC Development Bank, Inc.

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.’s (the “Bank”) assets and affairs under receivership and appointed Philippine Deposit Insurance Company (PDIC) as the Bank’s official receiver and liquidator.

On December 8, 2011, the Bank, thru PDIC, demanded LBC Holdings USA Corporation (LBC US) to pay its alleged outstanding obligations amounting to approximately ₱1.00 billion, a claim that LBC US has denied for being baseless and unfounded.

In prior years, the Group has outstanding advances of ₱295.00 million to the Bank, an entity under common control of LBCDC. In 2011, upon the Bank’s closure and receivership, management assessed that these advances are not recoverable. Accordingly, the receivables amounting to ₱295.00 million were written-off.

On March 17 and 29, 2014, PDIC’s external counsel sent demand/collection letters to LBC Express, Inc. (LBCE), for collection of the alleged amounts totaling ₱1.79 billion. It also sent demand/collection letter to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of amounts aggregating to ₱911.59 million on March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015.

On November 2, 2015, the Bank, represented by the PDIC, filed a case against LBCE and LBCDC, together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. PDIC justified the increase in the amount from the demand letters that were sent on

March 17 and 29, 2014 due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

On December 28, 2015, summons and writ of preliminary attachment were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted to the (a) attachment of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBCDC and (b) attachment of various bank accounts of LBCE totaling ₱6.90 million. The attachment of the shares in the record of the stock transfer agent had the effect of preventing the registration or recording of any transfers of shares in the records, until the writ of attachment is discharged.

On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment which was resolved in favor of LBCE and LBCDC.

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the RTC to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ. The counterbond delivered by LBCE and LBCDC stands as security for all properties previously attached and to satisfy any final judgment in the case.

On April 10, 2017, some of the individual defendants filed their respective Answers while LBCE and LBCDC filed their Answer on April 11, 2017.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other individual defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case was raffled to a new judge who scheduled the case for pre-trial proceedings.

On or about September 3, 2018, PDIC filed a motion for issuance of alias summons to five individual defendants, who were former officers and directors of the Bank. For reasons not explained by PDIC, it had failed to cause the service of summons upon five other individual defendants and hence, the RTC had not acquired jurisdiction over them. Since PDIC was still trying to serve summons on the five individual defendants and thus, for orderly proceedings, LBCE and other defendants filed motions to defer pre-trial until the RTC had acquired jurisdiction over the remaining defendants.

On January 18, 2019, PDIC filed its Pre-Trial Brief. LBCE and other defendants, on the other hand, filed its own Pre-Trial Brief without prejudice to their pending Motions to defer Pre-Trial.

On May 2, 2019, at the pre-trial hearing, the judge released his Order, whereby, among others, he granted the motion to defer pre-trial proceedings in order to have an orderly and organized pre-trial and deferred pre-trial hearing until the other defendants have received summons and filed their answers. In the meantime, the parties have proceeded to pre-mark their respective documentary exhibits in preparation for eventual pre-trial.

Later on, four of the five individual defendants received summons and then filed motions to dismiss the case, all of which were denied by the RTC. All four individual defendants filed for motions for reconsideration. The motions for reconsideration filed by the three individual defendants were eventually denied by the RTC. Thereafter, the three individual defendants filed their Answers to the Complaint with the RTC.

Meanwhile, on January 16, 2021, summons, together with a copy of the Complaint were served on LBC Properties, Inc., another defendant in this case. On February 11, 2021, LBC Properties, Inc. filed its Answer to the Complaint.

Later on, the RTC denied the motion for reconsideration of the last remaining individual defendant. Thus, on May 24, 2021, Ma. Eliza G. Berenguer filed her Answer with Compulsory Counterclaims.

On November 8, 2021, the parties completed the pre-marking of their respective documentary exhibits.

The parties are now waiting for notice from the RTC for the continuation of the pre-trial proper.

In relation to the above case, in the opinion of management and in concurrence with its legal counsel, any liability of LBCE is not probable and estimable at this point.

29. Reclassification

For the nine months ended September 30, 2020, the Group reclassified rent expenses of certain operating branches from 'Operating expenses' to 'Cost of services' amounting to ₱35.76 million. The reclassification did not impact the consolidated statements of financial position and cash flows.

30. Impact of COVID-19 Pandemic and Subsequent Events

Impact of the recent Coronavirus situation

The declaration of COVID-19 outbreak by the World Health Organization as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the Philippines starting March 16, 2020 have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

In order to remain operational during the pandemic period, the Group activated its Business Continuity Plans in order to continue to fulfill services much needed during this crisis period. The Group's delivery lead times have been extended to adjust for increased safety, security and travel restrictions. Likewise, the Group has implemented processes leading to contactless delivery and other safety and security measures within operations, and maintains stringent measures and protocols set by the government including social distancing and regular sanitation of branches, hubs and warehouses, and other facilities, including all cargo. The Group has also adapted a skeletal manpower model, when necessary, in its offices, delivery and courier operations and has suspended operations of selected branches in various locations caused by local lockdowns, until further notice. All frontliners are ensured of their safety and well-being and are provided with safety and protection gear, point-to-point shuttles for easier commute, free meals, medical assistance and allowances, among others. Rapid testing is also being implemented, fulfilling the Group's commitment to health and safety, not just for its employees, but also, in turn, for its customers.

The impact of the pandemic resulted to decline in revenue (see Note 3), recognition of additional allowance for expected credit losses (see Note 3) and receipt of rent concessions from lessors (see Note 2). The Group also incurred COVID-19 pandemic related expenses such as medical and sanitation supplies, shuttling costs, donation of face shields and face masks, premiums paid to employees and rapid testing costs.

Management is continuously monitoring the financial impact to the Group as the COVID-19 situation progresses and as the Group maintains its commitment to the continuous provision of services to its customers while ensuring the safety and welfare of its employees.

Subsequent events

In October 2021, the Group entered into short-term interest-bearing loan agreements amounting to ₱320 million in aggregate to finance working capital.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Supplementary schedules required by Annex 68-J

Schedule A: Financial Assets

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)

Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements

Schedule D: Long Term Debt

Schedule E: Indebtedness to Related Parties (Long-term loans from Related Companies)

Schedule F: Guarantees of Securities of other Issuers

Schedule G: Capital Stock

- Map of the relationships of the companies within the Group
- Reconciliation of retained earnings available for dividend declaration
- Schedule of financial soundness indicators

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE A: FINANCIAL ASSETS****SEPTEMBER 30, 2021**

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued	Value Based on Market Quotation and End of Reporting Period
Financial assets at fair value through other comprehensive income - Araneta Properties, Inc.	195,060,074	₱200,911,876	₱—	N/A
Financial assets at fair value through profit or loss	—	15,735,766	—	N/A
		216,647,642	—	
Financial assets at amortized costs:				
Cash in bank and cash equivalents	—	5,052,349,531	4,122,610	N/A
Short-term investments	—	129,178,889	—	N/A
Restricted cash in bank		42,634,933	233,550	N/A
Trade and other receivables	—	1,927,213,854	—	N/A
Due from related parties	—	1,137,939,036	—	N/A
Notes receivable (noncurrent)	—	19,147,013	1,974,241	N/A
Loans receivable (current and noncurrent)	—	82,976,713	—	N/A
		8,391,439,969	6,330,401	
		₱8,608,087,611	₱6,330,401	

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)****SEPTEMBER 30, 2021**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non-current	Balance at end of period
Santiago G. Araneta, <i>Beneficial owner</i>	₱9,537,587	₱–	₱–	₱–	₱9,537,587	₱–	₱9,537,587
Fernando G. Araneta <i>Beneficial owner</i>	18,821,782	–	–	–	18,821,782	–	18,821,782
Monica G. Araneta <i>Beneficial owner</i>	9,349,708	–	–	–	9,349,708	–	9,349,708
	₱37,709,077	₱–	₱–	₱–	₱37,709,077	₱–	₱37,709,077

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected/paid	Amounts Written Off	Current	Not current	Balance at end of period
LBC Express, Inc.	(P1,300,212,928)	(P2,814,251,548)	P2,933,996,957	P-	(P1,180,467,519)	P -	(P1,180,467,519)
LBC Express, Inc. - MM	103,671,776	204,589,718	(204,841,893)	-	103,419,601	-	103,419,601
LBC Express, Inc. - SCC	19,990,684	51,480,151	(49,193,673)	-	22,277,162	-	22,277,162
LBC Express, Inc. - NEMM	25,080,462	156,925,288	(146,305,318)	-	35,700,432	-	35,700,432
LBC Express, Inc. - NWMM	35,320,473	109,110,835	(102,271,226)	-	42,160,082	-	42,160,082
LBC Express, Inc. - EMM	27,239,495	84,376,009	(83,209,939)	-	28,405,565	-	28,405,565
LBC Express, Inc. - SMM	17,136,219	92,555,440	(91,757,846)	-	17,933,813	-	17,933,813
LBC Express, Inc. - CMM	21,083,203	116,138,290	(113,112,540)	-	24,108,953	-	24,108,953
LBC Express, Inc. - SL	75,536,408	199,765,965	(202,589,411)	-	72,712,962	-	72,712,962
LBC Express, Inc. - SEL	46,917,537	113,220,448	(112,503,216)	-	47,634,769	-	47,634,769
LBC Express, Inc. - CL	37,690,952	150,627,841	(147,235,965)	-	41,082,828	-	41,082,828
LBC Express, Inc. - NL	37,122,865	140,932,175	(140,734,505)	-	37,320,535	-	37,320,535
LBC Express, Inc. - VIS	68,495,079	188,749,353	(183,482,134)	-	73,762,298	-	73,762,298
LBC Express, Inc. - WVIS	43,566,453	148,088,906	(144,149,619)	-	47,505,740	-	47,505,740
LBC Express, Inc. - MIN	53,662,864	159,635,234	(157,194,731)	-	56,103,367	-	56,103,367
LBC Express, Inc. - SEM	41,952,582	101,666,811	(101,087,506)	-	42,531,887	-	42,531,887
LBC Express, Inc. - SMCC	15,719,374	28,222,866	(28,996,937)	-	14,945,303	-	14,945,303
LBC Express, Inc. - ESI	(6,544,283)	-	(171,609)	-	(6,715,892)	-	(6,715,892)
LBC Express, Inc. - SCS	70,966,532	143,942,075	(148,472,719)	-	66,435,888	-	66,435,888
LBC Systems, Inc.	(54,270,048)	12,399,117	(10,982,667)	-	(52,853,598)	-	(52,853,598)
LBC Express WLL	35,042,619	(39,849,875)	44,190,308	-	39,383,052	-	39,383,052
LBC Express Bahrain WLL	(29,993,109)	(4,184,558)	(955,120)	-	(35,132,787)	-	(35,132,787)
LBC Express LLC	(70,747,907)	(13,649,499)	10,964,956	-	(73,432,450)	-	(73,432,450)
LBC Mabuhay Saipan, Inc.	(14,781,791)	(6,108,509)	19,059,371	-	(1,830,929)	-	(1,830,929)
LBC Aircargo (S) Pte. Ltd	(145,838,621)	(3,839,914)	(1,663,375)	-	(151,341,910)	-	(151,341,910)
LBC Money Transfer PTY Limited	(31,115,681)	(8,117,746)	10,471,691	-	(28,761,736)	-	(28,761,736)
LBC Airfreight (S) Pte. Ltd	140,371,882	(35,996,145)	32,394,411	-	136,770,148	-	136,770,148
LBC Australia PTY Limited	16,370,852	(31,276,034)	28,857,732	-	13,952,550	-	13,952,550
LBC Mabuhay (Malaysia) SDN BHD	8,577,339	(11,931,545)	(389,479)	-	(3,743,685)	-	(3,743,685)
LBC Mabuhay (B) SDN BHD	19,713,357	(2,907,784)	8,449,195	-	25,254,768	-	25,254,768
LBC Mabuhay Remittance SDN BHD	19,350,164	(7,605,988)	20,194,303	-	31,938,479	-	31,938,479
LBC Mundial Corporation	73,899,247	(298,692,012)	226,269,747	-	1,476,982	-	1,476,982
LBC Mabuhay North America Corporation	206,489	62,512,612	(62,236,838)	-	482,263	-	482,263
LBC Business Solutions North America Corp.	-	91,911,254	(73,971,006)	-	17,940,248	-	17,940,248
QUADX Pte Ltd.	(10,534,372)	-	(5,596,727)	-	(16,131,099)	-	(16,131,099)
Mermaid Co., Ltd.	(29,086,867)	-	7,343,007	-	(21,743,860)	-	(21,743,860)
	(P638,440,700)	(P921,560,769)	P1,028,585,327	P-	(P531,416,142)	P-	(P531,416,142)

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE D: LONG TERM DEBT****SEPTEMBER 30, 2021**

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in Statement of Financial Position	Amount shown under caption "Noncurrent liabilities" in Statement of Financial Position
Notes payable	₱1,763,017,252	₱1,180,409,006	₱582,608,246
Lease liabilities	2,571,850,383	958,441,563	1,613,408,820
Bond payable	1,640,533,811	1,640,533,811	—
Derivative liability	2,302,679,805	2,302,679,805	—
Other liabilities	23,296,151	18,654,112	4,642,039
	₱8,301,377,402	₱6,100,718,297	₱2,200,659,105

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

SEPTEMBER 30, 2021

	Balance at Beginning of Period	Balance at End of Period
Fernando G. Araneta, <i>Beneficial owner</i>	₱41,407	₱43,927
LBC Insurance Agency, Inc.	5,804,559	8,721,899
Blue Eagle and LBC Services Pte. Ltd.	12,992,283	13,421,363
QUADX Inc.	12,291,628	13,039,576
LBC Holdings USA Corporation	4,190,742	—
LBC Services Pte. Ltd. LBC Remittance Express (M) Sdn. Bhd.	4,074,206	4,134,350
Others	818,385	394,308
	₱40,213,210	₱39,755,423

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

SEPTEMBER 30, 2021

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
---	--	--	---	----------------------------

NOT APPLICABLE

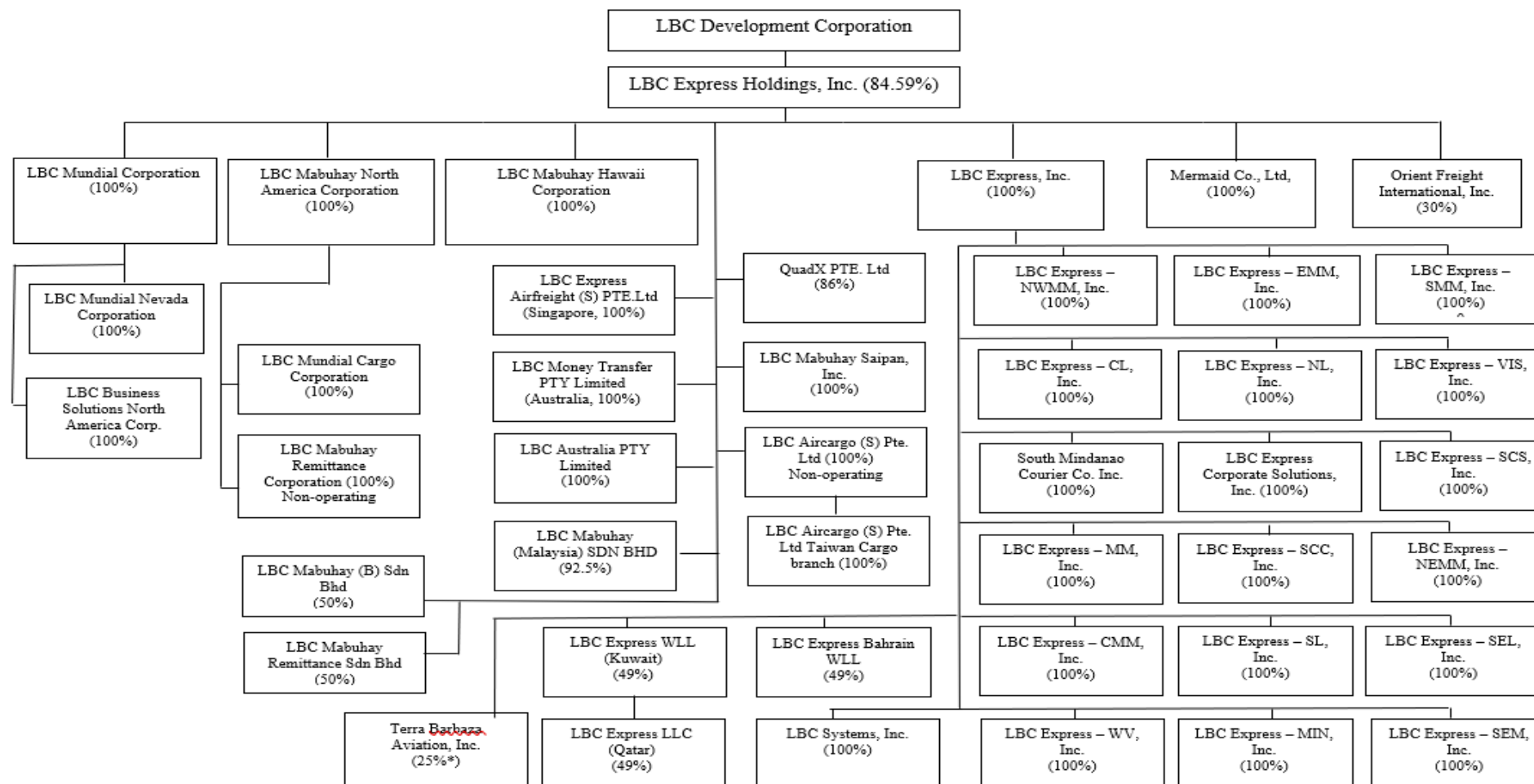
LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE G: CAPITAL STOCK****SEPTEMBER 30, 2021**

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related Statement of Financial Position	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	2,000,000,000	1,425,865,471	—	1,206,178,232	230,007	219,457,232

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

SEPTEMBER 30, 2021



*25% ownership in Terra Barbaza Aviation, Inc. is based on common stock with voting rights

LBC EXPRESS HOLDINGS, INC.**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

Unappropriated Retained Earnings, beginning		₱767,498,537
Adjustments:		
Fair value adjustments (M2M gains)	(454,198,052)	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(89,890,093)	(544,088,145)
Unappropriated retained earnings, as adjusted to available for dividend distribution as at January 1, 2021		223,410,391
Less: Net Loss actually incurred during the period		
Net loss during the period closed to retained earnings	(338,315,235)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain – (after tax) except those attributable to Cash and Cash equivalents	—	
Unrealized actuarial gain	—	
Fair value adjustment (M2M gains)	—	
Fair value adjustment of Investment Property resulting to gain	—	
Adjustment due to deviation from PFRS/GAAP-gain	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Subtotal	—	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP-loss	—	
Loss on fair value adjustment of investment property (after tax)	—	
Net loss actually incurred during the period	(338,315,235)	(338,315,235)
Add (Less):		
Dividend declarations during the period	—	
Appropriations of retained earnings during the period	—	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	—	
Subtotal		—
TOTAL RETAINED EARNINGS, END		(₱114,904,843)
TOTAL RETAINED EARNINGS, END		
AVAILABLE FOR DIVIDEND DECLARATION		₱—

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

Below are the financial ratios that are relevant to the Group for the nine months ended September 30:

Financial ratios	Formula	September 30, 2021		September 30, 2020	
Current ratio	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$	<u>9,617,133,930</u>	0.98	$\frac{8,889,914,239}{5,051,956,661}$	1.76
Acid Test Ratio	$\frac{\text{Total Current Assets - Prepayments and other current assets}}{\text{Current Liabilities}}$	<u>8,470,989,020</u>	0.86	$\frac{7,985,944,582}{5,051,956,661}$	1.58
Solvency Ratio	$\frac{\text{Net Income After Tax - Non-Cash Expenses}}{\text{Total Liabilities}}$	<u>1,803,437,981</u>	0.14	$\frac{2,175,723,747}{9,961,658,667}$	0.22
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Stockholder's equity attributable to Parent Company}}$	<u>12,796,369,583</u>	3.99	$\frac{9,961,658,667}{3,373,316,086}$	2.95
Asset-to-equity ratio	$\frac{\text{Total Assets}}{\text{Stockholder's equity attributable to Parent Company}}$	<u>16,026,383,916</u>	5.00	$\frac{13,334,974,753}{3,373,316,086}$	3.95
Interest rate coverage ratio	$\frac{\text{Income before interest and tax expense}}{\text{Interest Expense}}$	<u>710,724,156</u>	2.09	$\frac{311,841,36}{227,947,001}$	1.37
Return on equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Stockholder's equity attributable to Parent Company}}$	<u>246,343,074</u>	7.68%	$\frac{35,432,727}{3,373,316,086}$	1.05%
Debt to total assets ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	<u>12,796,512,628</u>	0.80	$\frac{9,961,658,667}{13,334,974,753}$	0.75
Return on average assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average assets}}$	<u>246,343,074</u>	1.55%	$\frac{35,432,727}{12,945,032,154}$	0.27%
Net profit margin	$\frac{\text{Net income attributable to Parent Company}}{\text{Service fee}}$	<u>246,343,074</u>	2.00%	$\frac{35,432,727}{9,631,161,294}$	0.37%
Book value per share	$\frac{\text{Stockholder's equity attributable to Parent Company}}{\text{Total number of shares}}$	<u>3,206,650,446</u>	2.25	$\frac{3,373,316,086}{1,425,865,471}$	2.37
Basic earnings per share	$\frac{\text{Net income attributable to Parent Company}}{\text{Weighted average number of common shares outstanding}}$	<u>246,343,074</u>	0.17	$\frac{(53,230,112)}{1,425,865,471}$	(0.04)
Diluted earnings per share	$\frac{\text{Net income attributable to Parent Company after impact of conversion of bonds payable}}{\text{Adjusted weighted average number of common shares for diluted EPS}}$	<u>246,343,074</u>	0.17	$\frac{(53,230,112)}{1,425,865,471}$	(0.04)